Tracking Strategy In a Family Firm: A Case Study

Yehya Ismail

A Thesis
In
The Faculty
Of
Commerce and Administration

Presented in Partial Fulfillment of the Requirements
For the Degree of Master of Science in Administration at
Concordia University
Montreal, Quebec, Canada

March 1997

0-612-25994-3

Acknowledgements

I would like to thank my supervisor Dr. Bakr Ibrahim for his guidance, supervision and patience. I could not have done it without you. I would also like to thank Dr. McGuire and Dr. Desroches for their assistance and recommendations.

I would like to dedicate this work to my Parents, Lulu and Tarek. Thank you all for being there from the very start.

I would like to take this opportunity to express my sincere appreciation to The Seagram Company Limited for opening their doors and allowing me to use their facilities. A special thanks should go to Heather and Theresa for their devoted assistance.

ABSTRACT

Tracking Strategy in a Family Firm: The Case of The Seagram Company and The Bronfman Family

Yehya Ismail

Family firms represent the most prevalent form of business in both Canada and the United States. It is estimated that over 90 % of all business in North America are family-owned and operated. Due to their importance, several issues have been the subject of research including succession and conflict. However, little research has been conducted on corporate strategy in family firms. The objective of this thesis, is to examine the critical factors that shape the strategic decision in family firms. The Seagram Company Limited and the Bronfman Family are the focus of the present research. The case study approach was chosen because it allows for the gathering of rich, detailed data from a variety of sources to help explain areas of research which have been neglected. The discussion section reveals two critical issues that affect the strategic decision making in The Seagram Company Limited by the Bronfman Family. Finally, based on the results, the present research seems to suggest a number of factors contributing to success and survival of family firms, we can enhance the quality of decisions and improve the low survival rates.

Table of Contents

List of Figures and Appendices

INTRODUCTION

Family business research has gained tremendous popularity and interest largely due to the importance and prevalence of family businesses (Dyer, 1986; Ward, 1987). Family firms represent the most prevalent form of businesses in both Canada and the U.S. (Alcorn, 1982; Danco, 1980; Ibrahim and Dumas, 1995). Using a broad definition of family businesses, it is estimated that over 90 % of all businesses in North America are family owned and operated (Beckhard and Dyer, 1983). Family businesses employ 48 % of all the work force, generating 40 to 60 % of gross national product (Barnes and Hershon, 1976; Ward and Aronoff, 1990). Family businesses are usually thought of as being small businesses, though they represent over one-third of the Fortune 500 list of large companies (Lansberg, 1983). Apparently, family businesses exist in all business sectors, from manufacturing and retailing to construction and services. Due to the importance of family businesses, several issues have been the subject of research including succession and conflict. However, little research has been conducted on corporate strategy in family firms (Harris, Martinez and Ward, 1994).

The objective of this thesis, is to examine the critical factors that shape the strategic decision in family firms. By understanding the factors contributing to strategic decisions in family firms, we can enhance the quality of decisions and improve the low survival rate of these firms. According to Bucholz and Crane (1980), the average life span of family firms is less than 25 years and only 30 % survive into the second generation, those that do, only half make it to the third generation.

CHAPTER 1

LITERATURE REVIEW

Definition Of Family Firms

Definition of the term family businesses has been a fundamental problem for business researchers in the field. Some researchers argue that a business is a family business when more than one member of the family is affected by business decisions. Others require that at least two members of the family are active in the management/ownership of the business, while others argue family members from different generations have to be active in the business in order for it to be called a family business. Due to a lack of conceptual clarity, it is unlikely that a definition will be agreed upon in the near future (Litz, 1995).

According to Handler (1990), family businesses is one that has family as a major shareholder and managed by at least one family member. Donnelley (1964) considers a business as a family business when it has been closely identified with " at least two generations of a family and when the link has had a mutual influence on company policy and on the interests and the objectives of the family ". Hollander (1983) uses Hershon's (1975) definition of a family firm or family-owned business as " a business characterized by a unique set of traditions which stem in large part from the founding family, thereby creating a unique and personal bond between the company, its members and the family ".

Churchill and Hatten (1987) define family firms as a founder-operated business where there is an anticipation that a younger family member will eventually succeed an elder member. Litz (1995) trys to clarify the ambiguity associated with defining family firms and states " a business firm may be considered a family business to the extent that its ownership and management are concentrated with in a family unit ,and to the extent its members strive to achieve and/or maintain intra-organizational family-based relatedness ". Finally, Ibrahim and Ellis (1994) define a family business as one in which at least 51 % of the business is owned by a single family, and at least two family members are involved in the management activities and the transfer of leadership to the next generation family member is anticipated. Thus, the dimensions that distinguish family businesses include degree of ownership, management by family members, extent of family involvement and the potential for generational transfer of power.

Beckhard and Dyer (1983) divide the family system into four sub-systems: the business, the family, the founder and the linking organizations such as boards of directors, each as a separate entity. They state that each of the sub-systems has an identity and culture of its own with competing needs and values.

Hoy and Verser (1994) suggest that family business and entrepreneurship are overlapping domains that originated from strategic management paradigms. For instance, major entrepreneurial concepts and topics such as opportunity seeking and business plans are derived from the strategy literature. Similarly, in the family business literature the most dominant theme, succession, relies heavily on both the normative and descriptive models found in the strategy literature.

Problems in Family Firms

There are several problems associated with family firms. Role confusion is a central problem in family firms. Job descriptions are extremely difficult to formulate and implement in family firms leading to lack of communication and poor decision making. Lack of boundaries arises as a result of the inability to separate the two systems the family and the business (Danco, 1992).

Another major concern affiliated with family firms is the family infighting among the family members. For example, spousal fights, sibling rivalry or inter-generational fighting could lead to the termination of a family firm. Decisions concerning family members that involve emotions or preferences are a common situation in family firms leading to a lack of objectivity. Family members find it difficult to critize other family members involved in the business (Harvey and Evans, 1994). The most common and central problem with family firms is succession. Only 13 % of successful family firms last through the third generation (Blotnick, 1984; Ward, 1987).

Family Involvement in the Business

According to Ibrahim and Ellis (1994) family owned firms are divided into two separate institutions, the social function (the family) and the business function (the business). Churchill & Hatten (1987) state two critical attributes that distinguish family business from other businesses: One, the involvement of family members in the business. Second, the non-market based transfer of power. The family in it's social function satisfies the emotional, biological and belonging needs. As for the business function, it satisfies the objective, performance and profit needs.

Research in family businesses have found that the overlap between the family and the business accounts for the behavior of the family firm. Hollander & Elman (1988) propose that there is a dynamic tension which exists between the systems, giving the family firm it's distinct character. The family system ensures that the business pays attention to the familys' needs and survival of the firm at a level adequate enough to provide for the family. The business system ensures that the firm will attempt to maximize profits and growth.

Succession

According to Danco (1982), the failure to prepare for a succession or to ignore to chose or train a successor leads to "corporeuthanasia", the death of a firm. Succession is perhaps the most critical issue facing business founders that could either survive or terminate the business. Business founders often have difficulty retiring or relinquishing control. This difficulty arises from fear of retiring or aging, lack of other interests or perhaps death (Handler & Kram, 1988).

Ibrahim & Ellis (1994) state that succession in family businesses have three distinct characteristics compared to other type of businesses. First, the dual relationship of the family and business is shaken and tense. The choice of a successor causes instability and tension with other family members especially if there is more than one potential heir (Rosenblatt et all, 1985). This situation could lead to bitter fighting between family members. Second, the biological necessity, where the younger generation succeeds the older generation to ensure continuity (Churchill & Haten, 1987). Some transactions are smooth while others are tragic. Finally, the third charcteristic of family business succession is the transfer of power. Succession is not a market driven process based on market values but a non-market consideration based on the relationship that exists between the successor and the elder family member in the business and the family (Churchill & Hatten, 1987).

The selection process is contingent on three dimensions. Starting with family business management which includes the assessment of the necessary skills required to manage and lead the organization. The next dimension is the assessment of the offspring. This dimension includes the experience, skills, career plans and willingness of the offspring to accept the leadership role. The final dimension is the perception of the family and non-family employees of the successor in terms of leadership, skills, ability, style of mangement and suitability (Ibrahim & Ellis, 1994).

Succession is a complex process that requires a lot of planning. Levinson (1971) found that planning leads to effective succession. Barnes & Hershon (1976) suggest a healthy succession is one that is well planned and that family and non-family members should contribute to the process of selecting a successor.

Grooming the offspring

Grooming the offspring at an early age to assume their future role is part of an effective succession plan (Churchill and Hatten, 1987). Preparing the offspring before joining the family business through family retreats or family events exposes the successor to the family business. Ibrahim & Ellis (1994) state that the early inclusion of the offspring in family firms helps to promote interest and nourish commitement. At this point the offspring must also prove himself/herself and earn legitimacy and credibility among family employees and non-family employees inorder to smooth an effective succession process.

The Concept of Strategy

Chandler's (1962) classical work defines strategy as the formulation of long-term goals and objectives of the organization and the implementation of these goals and objectives. This classical view of strategy has always been defined, in terms of guidelines for the future, long-term goals and objectives. If there is a continuous strategic redirection of objectives and long-term goals without external or internal conditions involved the result is confusion. However, definition of long-term goals and objective of an organization is an essential dimension of the concept of strategy.

Mintzberg (1978) however believes that the above definition of strategy is explicit and consciously dveloped leading to a plan. As a result the definition refers to an intended strategy. Mintzberg however believes that this definition is incomplete and there is a different dimension to it. Organizations may end up pursuing strategies they never intended. So therefore strategy in general could be defined as " a pattern in a stream of decisions ". In other words, " when a sequence of decisions in some area exhibits a consistency over time, a strategy will be considered deliberate when its realization matches the intended course of action, and emergent when it surfaces from past patterns that are absent of intention " (Mintzberg,1978). Quinn (1980) defines strategy as " a pattern or plan that integrates an organization major goals, policies, action sequences into a cohesive whole ".

One of the central concern of strategy is defining the business a firm is in or intends to be in, in other words its corporate strategy. Corporate strategy functions include the " overall mission, validation of proposal emerging from business and functional levels, identifying and exploiting linkages between business units and allocating resources with a sense of strategic priorities " (Hax, 1990). Porter (1987) argues that corporate strategy grows out of competitive strategy. In addition, it should not be permenant but a vision that can evolve in which " a company should choose its long-term preferred concept and then proceed pragmatically toward it from its initial starting point ".

Another dimension of strategy is achieving competitive advantage. Porter (1985) defines competitive strategy of a firm as the " search for favourable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition ". He uses the value chain as a powerful conceptual tool to direct the firm's activities toward enhancing its competitive position. He defined a framework for assessing the attractiveness of an industry and how a company must understand the five forces that affect its situation. Argyris (1985) reflects a similar view in his definition. He viewed strategy as a response to external and internal forces that affect the organization but a means of achieving competitive advantage. The underlying assumption of this definition is for a firm to search for a favourable competitive position and achieve a long-term competitive advantage over its competitors. This competitive advantage is formed externally by a firm recognizing its industry attractiveness capabilities in other words its' strengths and weaknesses.

A final dimension of how strategy has been recently viewed is that it is a motivating force for its stakeholders, in other words what economic and non-economic gains a firm intends to provide to its stakeholders. Chaffee (1985) defines strategy as metaphors or frames of reference " that allow the organization and its environment to be understood by organizational stakeholders ". On this basis, stakeholders are motivated to believe and to act in ways that are expected to produce favourable results for the organization.

There are no contradictions in the various definitions of the concepts of strategy mentioned. Each definition attempts to define the concept of strategy. Hax (1990) successfully arrives at a comprehensive definition of strategy where " strategy becomes a fundamental framework through which an organization can assert its vital continuity which at the same time, purposefully managing its adaptation to the changing environment to gain competitive advantage. Strategy includes the formal recognition that the recipient of the results of a firms actions are the wide constituency of its stakeholders. Therefore, the ultimate objective of strategy is to address stakeholders benefits-to provide a base for establishing the host of transactions and social contracts that link a firm to its stakeholders ".

Strategy Formulation

Hax (1990) uses Bower' and Do'z (1979) argument that strategy is the outcome of three different processes contributing to strategy formation.

1. The understanding of the environment by the individuals (cognitive process).
2. The social and organizational process that assists in the decisions taken.
3. The political process which takes part in the organization.

They believe that the CEO and top managers are not only the administrators of these processes but also the people whom influence the shape and the communication level of a firm's strategy. Those who favor strategy formulation to be formalized relying heavily on analytical tools and methodologies to help managers at all levels to reach better strategic decisions follow the formal-analytical process (Hax and Majluf, 1988). Formal analysis is the breaking down of goals into steps, then formalizing those steps so the expected consequences can be implemented and articulated (Ansoff, 1984; Hax and Majluf, 1984b; Porter, 1980). Formal analysis is more of strategic programming but its effectiveness as a process of strategic formulation has been controversial. Another school of thought, the behavioral theory is believed to describe what occurs in a firm more evidently. This process stresses that strategy is derived from " multiple goal structures of organizations, the policy of strategic decisions, executive bargaining and negotiation, the role of coalitions in strategic management, and the practice of muddling through " (Lyndbloom, 1959; Cyert and March, 1963; Simon, 1976; Wrapp, 1984).

The two approaches have been useful in our understanding of the strategy formulation process but neither of the two can adequately explain the process. Recognizing these limitations, Quin (1978) introduces logical incrementalism. Where top managers focus on indentifying a direction for the organization while allowing details to emerge. The importance of this strategy formulation process is top management's vision and the nurturing of strong corporate values in the organization (Conger and Kanungo, 1988). In other words trying to create a general purpose and direction that would guide organizational members. Top management challenges organizational memebers to achieve beyond the status quo, but at the same time providing order by planning a long-term direction.

Two other opposing schools of thought are the forward-looking plan and the pattern of past actions (Hax and Majluf, 1988). Some researchers view strategy as a plan that shapes the future direction of the firm. The strategy of the firm becomes the collection of objectives and action programs oriented towards the future of the organization. Newman and Logan (1971) view strategy formation as " forward looking plans that anticipate change and initiate actions to take advantage of opportunities that are integrated into the concept or mission of the company ". An opposite school of management led by Mintzberg is the pattern of past actions. Strategy is viewed as a pattern of actions emerging from the past decisions of the firm. Mintzberg and Waters (1985) define strategy as " a pattern in a stream of decisions ". However, when a strategy is too rigidly as a pattern in a stream of past decisions it might lead to an inability to shape new directions. By combining both typologies strategy could become a balance between learning from the past and shaping new courses of action leading the organization to a more efficient stage (Hax, 1990).

Using Mintzberg's and Water's (1985) two concepts, deliberate and emergent strategies simulatanously can perhaps form the basis for a typology that can characterize the various kinds of strategy formulation processes (Hax and Majluf, 1984b). "A strategy is considered deliberate when it's realization matches the intended course of action, and emergent when strategy is identified from the pattern or consistencies observed in past behavior despite or absence of intentions " (Mintzberg & Waters, 1985). Deliberate strategy provides the organization with a meaning direction. While emergent strategy is to learn from what works and discover an unintended strategy. This typology includes a variety of different dimensions of strategy formulation making it the most effective explanation of strategy formulation.

Factors That Affect Strategic Decision Making

There are several models which attempt to explain the strategic decision making process. They range from the rational model in which decision makers follow a systematic process to reach their thought out goals to the political/behavioral models which are outcomes of bargaining and negotiations among individuals and organizational sub-units and finally to incrementalism where the process is systematic and evolves over time (Quinn, 1978; Narayanan and Fahey, 1982; Fredrickson and Mitchell, 1984; Hart, 1992).

The various strategic decision process models differ in many respects but the factors that influence them are the same. First, environmental factors exert a significant influence on stategic decision process. Second, organizational conditions such as the internal power structure, past performance, past strategies, and the extent of organizational slack have a significant impact on the process. Third, decision specific factors such as the urgency of a decision, the degree of outcome, uncertainty and resource commitment. Fourth, performance effects such as time, speed of decision making, acceptablity to organizational members, adaptiveness to change and the extent of organizational learning are indicators of performance outcomes (Rajagopalan, Rasheed and Datta, 1993).

Environmental factors exert a significant influence on strategic decision process such as uncertainty and complexity (Rajagopalan, Rasheed and Datta, 1993). Shrivastava & Grant (1985) found that decision processes in situations characterized by environmental and organizational conditions led to variations in decision process characteristics. For example, product innovation is found to be an important aspect of response to uncertainty, which leads to greater rationality in a firm decision making process. Most studies link the environmental factor which is primarly uncertainty with stability and velocity. Fredrickson (1984) found that in stable environments, strategic decision process are associated with superior economic performance and vice versa. Eisenhardt (1989) found that effective strategic decisions in high velocity environments are characterized by comprehensiveness. Most of the literature focuses on uncertainty as an environmental factor, but other factorss such as complexity and environmental resources have recieved little attention. Research suggests that under severe environmental complexity managers will tend to use the cognitive simplification process. Environmental resources refers to the capacity of the environment to provide resources for the organization.

Organizational factors include structure, past peformance and top management (Rajagopalan, Rasheed and Datta, 1993). Researchers have focused on two sets of organizational factors; power distribution within the decision-making group (Eisnhardt, 1989; Jemison, 1981;Shrivastara & Grant, 1985) and structural aspects such as formalization, integration and decentralization (Miller et al., 1988). Powerful individuals and departments are capable of identifying problems and important issues that have a direct affect on the decision-making process (Provan, 1989). The organizaitonal structure itself is another way in which it can strongly affect the decision-making in an organization in respect to the informational flow or analysis (Miller et al., 1988). Past strategies are source of influence on the on-coming decisions. By reflecting previous performance to the present decisions-making process. Past performances play a crucial factor in what decisions to take (Fredrickson, 1985). The change in organizational size and the top management teams are significant factors that could strongly affect the decision-making process. Differences in demographics such as age, tenure, hetrogeneity or managerial resources in terms of expertise and skills explain important differences in the strategic decision-making across firms or even across decisions in a firm (Hambrick and Mason, 1984; Castanias and Helfat, 1991). Another organizational factor that has been overlooked by most researchers in the field is the risk factor. Firms that face high levels of risk may tend to accelerate or centralize their decision making process (Rajagopalan, Rasheed and Datta, 1993).

Little research has been conducted on how decision-specific factors affect the decsion-making process. Factors such as technical uncertainty, decision urgence, outcome uncertainty, consensus, decision urgncey and decision motive are believed to influence the strategic decision process however, more research is required (Carter, 1971; Fredrickson, 1985; Shrivastava and Grant, 1985; Pinfield, 1986). Finally, performance effects have been gaining much attention in the past decade. Studies are focusing more on relationships between process characteristics and performance outcomes.

Strategic Decision Making In Family Firms

Hoy and Verser (1994) believe that strategic managment in the family firm occurs at the link of three interwined areas family, management and ownership. Long-range planning is required at the intersection of these areas if the firm is to achieve smooth transactions. At the initiation stage of a family firm, strategy and vision are often in the mind of the founder. Effective leadership in family firms is when the founder is capable of conveying his vision to other family members keeping their long-term objectives in perspective. Problems however can occur in the family firm when the founder fails to convey and clarify a vision or engages to outdated reactions to current events (Pascarella & Frohnan,1990). Ward (1987) observed that leadership and culture are interlated and influence the long-term success of the family firm.

Board of directors has been a major concern in the family business literature. Lansberg (1988) claims that family business owners need outside board members to obtain a more diverse and objective recommendations. Strategic management research has shown organizational and industry life cycles to be important contingent variables (Hofer, 1975). In the case of family firms, the family life cycle is likely to be significant to the long-term survival and success of the firm (Pascarella & Frohnan,1990).

Harris, Martinez & Ward (1988) introduce a model describing family interdependence of business strategy. The model is a continuous cycle starting with family commitement in relation to the future of the business then the assessment of the health of the business to the identification of business alternatives. Following the identification phase, is the family and the business personal goals, then the selection of the business strategy followed by assessment of the familys' interests and capabilities. The authors suggest that more models of such kind should be created to explore the relationship between family characteristics and business behaviour.

Ibrahim & Dumas (1995) suggest that family businesses' unique characteristics play a crucial role in the strategic decision making in family firms. A framework is developed suggesting that firm's internal capabilities and external environment are basic ingrediants in the strategy decision making. However, these internal and external factors are filtered by family issues. Little research has been conducted on family business strategy, even though a significant percentage of the largest companies are family controlled.

CHAPTER 2

METHODOLOGY

Research Objective

The objective of the present research is to track a family firm from inception through different generations. The focus is on a number of critical factors that were reported in the literature to have significant impact on the success of family firms. These include involvement of family members in the business, strategic decisions and the succession process including grooming of the successor. The internal and external variables that may impact on the business are beyond the scope of this research.

Research Design

The research design of the present research follows a case study approach using qualitative data. According to Yin (1984) a case study is an empirical inquiry that:

- investigates a contemporary phenomenon within its real life context; when
- the boundaries between phenomenon and context are not clearly evident; and in which
- multiple sources of evidence are used (Yin, p.23,1984)

The present research fits Yin's description and in particular focuses on a number of critical issues in family firm including family involvement, strategic decisions and succession in family firms (therefore a real life setting) without divorcing the phenomenon from the context, and using multiple sources of evidence. According to Cooper and Emroy (1995) a research design such as a case study would allow the investigator to emphasis on details and provide valuable insight on a topic where more depth than breadth of information is required.

Nature of the Case Study

The use of a case study approach was chosen due to the nature of the topic itself. The following research attempts to explore new phenomenon's in an area where little research has been conducted in the past. Leonard-Barton (1990) states that a case study approach is useful for under-researched areas because it allows the researcher to slice vertically through the organization to gather information from many different levels. Similarly, Eisenhardt (1989) states that a case study approach is most convenient for neglected research topics because such a method does not rely on previous literature or prior empirical evidence. Thus, case study methods allow for the gathering of rich, detailed data from a variety of sources to help explain areas of research which have been neglected.

The case approach was most appropriate because of the exploratory nature of the research questions (Yin, 1984). Further, Van Maanen (1983) found that case study is appropriate in understanding causality. The case approach according to Van Maanen

(1983) allows the researcher to identify longitudinally the events and how they led to a specific outcome. Van Maanen (1983) suggests that the time provides a proper explanation of causality-prior events are assumed to have relationships with later events. In addition the case approach is more appropriate where significant events or variables cannot be manipulated (Yin, 1984). Indeed, the present research investigates family involvement in the strategic decision and the succession process in a family firm over a period of 68 years.

The Bronfman family is the focus of the present research. The use of a single case is justified on the grounds that it requires a long period of time to sort out and reduce the massive amounts of data of a single case over 68 years (Yin, 1984; Eisenhardt, 1989).

A holistic design is employed within the single-case study. Hence, the degree of family involvement in strategic decision as well as succession are examined without consideration of other sub-units of analysis (Yin, 1984). This holistic approach is useful since the study is intended to be exploratory and impressionistic rather than definitive (Davis & Cosenza, 1993). According to Stake (1978) and Van Maanen, (1983), it is the researcher who decides what is the case's own story. The holistic researcher must select the content-what to tell.

Realism & Generalization

The researcher opted for the case approach because of the realism inherited in this method. Indeed in order to explore how family involvement shape the strategic direction of the firm, it was critical to examine a family firm over a long period of time. The case approach allowed more insight into a family firm. In terms of generalization many social scientists suggest that the case method is a step toward generalization (Campbell, 1975; Herriott and Firestone,, 1983; Glaser and Strauss, 1967). Yin (1984) states that for case studies in general, generalization of findings are made to theory rather than to other cases. Unlike survey research, which relies on statistical generalization, case studies rely on analytical generalizations. In analytical generalizations, the researcher attempts to generalize findings to some broader theory.

Description and Selection of the Family Firm

The family firm was selected on the basis of it's successful performance over the years, availability of published work and accessibility to company records. For example the LaSalle Records Center and the Archives in the Seagram offices in Montreal provides an excellent source of data to researchers.

However a key factor for selecting this firm was the fact that it is run by the third generation of the family. Indeed only 13 percent of successful family businesses last through the third generation (Blotnick, 1984; Ibrahim and Ellis, 1994). The Bronfman family runs or manages one of the largest companies in Canada. The Seagram Company Limited was founded in 1928 by Samuel, a successful entrepreneur. Over a period of 68 years the company still remains a family firm and is presently managed by the third generation of the family members. The company has been very successful over the years in acquisitions and diversifications and presently involved in beverages, chemicals and entertainment.

Procedure

The company public relation director was contacted by the telephone and a visit was arranged. The nature of the study and its significance were explained. The company officers were extremely helpful and open and allowed the researchers access to company's document including annual reports, catalogues, product catalogues, shareholders reports, memos, 8K, 10K, monthly magazines and other company literature such as company memoirs written by the family members.

Data Collection

The present research utilized multiple sources of data. Multiple data collection methods allowed the researcher to establish validity of the research findings (Eisenhardt, 1989). In qualitative case research this approach is known as triangulation (Flick, 1992). To ensure construct validity a " between or across methods " type of triangulation was used (Denzin, 1978). Triangulation enhances construct validity by using multiple sources of evidence to measure the same phenomenon.

A number of sources were used including:

- Company documents
- Annual Reports (1928-1996)
- Ownership documents

- Written reports
- Published research
- Published & Unpublished Biographies
- Published Books
- Articles published in periodicals
- Documentary Movie
- Notices of important meetings

In addition to company documents computer searches were initiated and Lexis - Nexis software were utilized. Canadian Corporation database and other computerized business directories were used.

Data Analysis

A case study was developed which focused on both the family and the business and a pattern was extrapolated (Yin, 1989). The data analysis used the procedure recommended by Miles and Huberman (1994). This involves data collection, data reduction, data display and drawing conclusion.

Data Reduction

To reduce the massive amounts of data into a manageable form, a procedure described by Huberman and Miles (1985) was used by classifying data according to emergent themes or constructs. These include: Family, business, strategic decisions, family involvement, succession and grooming the offspring. A narrative format were then used to describe these categories. Summary forms were also used to reduce the massive data obtained.

Data Display

This step involved developing the case study and presentation of data into various organized forms including a narrative focused format of the family and the business and presentation of tables and figures in chronological order according to key variables such as family involvement, ownership and control, strategic decisions under different generations and succession (Huberman & Miles, 1985; Yin, 1984; Connelly and Clandinin, 1990).

Conclusion

This step involved the search for truth. Data were triangulated to establish validity of the qualitative work (Flick, 1992). Further several strategies recommended by Miles and Huberman (1994) as well as Yin (1989) were utilized to increase the reliability and validity of the data. These include weighing the evidence, comparisons, contrasts and ruling out rival explanation. Finally a conclusion is drawn based on facts of the study and patterns observed (Van Maanen, 1979; Huberman and Miles, 1985).

CHAPTER 3

THE BRONFMAN FAMILY

The Entrepreneurial Spirit

Yechiel Bronfman lived in a rural area of the Russian Empire called Bessarabia. He owned a grist mill and maintained a tobacco plantation to supplement it. By the 1880's when vicious anti-Semitism spread throughout Russia, Yechiel, his wife Minnie, their three children and a young rabbi (to ensure the continuance of the group's Hebrew heritage) emigrated to eastern Saskatchewan (Bronfman, 1937; Booth, 1976; Martin, 1986).

With limited knowledge of the Canadian prairie climate, Yechiel (whom later anglicized his name to Ekiel) unsuccessfully attempted to cultivate the tobacco that he brought along with him from Bessarabia. Because of this failure he later turned to farming wheat and course grains. Due to a devastating year Ekiel believed that there would be no future in farming wheat. He therefore decided to go to the nearby city of Brandon (Bronfman, 1937; Newman, 1978; Marrus, 1991; Documentary, 1995).

The Bronfmans fourth child and third son, Samuel was born in March 1981. In the following years, the family grew and by 1898 they amounted to ten members: Yechiel, Minnie, and their children: Abe, Harry, Laura, Samuel, Jean, Bessie, Allan and Rose (Bronfman, 1937; Siekman,1966; Bronfman, 1982; Bronfman, 1986; Documentary, 1995). Since they were living in a growing town and since they had gained more business experience the Bronfmans decided to move into the manufacturing service sector of the economy. Ekiel got a job at a sawmill. He soon perceived a market for wooden slabs (leftovers of logs when sawn into lumber) as summer cooking fuel. The wood business was seasonal and, thus something else was required to support the family. During the winter Ekiel embarked on a new venture, the frozen fish business, where he bought fish at Westbourne and sold them at Brandon. Along with besides the firewood and fish trades, the Bronfmans obtained a contract to work as teamsters on local road improvements projects (Bronfman, 1937; Newman, 1978; Booth, 1976; Marrus, 1991; Documentary, 1995).

Family Involvement : The First Generation

As business improved Abe and Harry dropped out of school at grades six and eight respectively to assist their father. From the age of 10, Sam worked alongside them for 5 cents per day. The Bronfmans' next venture was horse-trading. They bought wild horses and sold them as working teams (Bronfman, 1937; Booth, 1976; Bronfman, 1982). By local tradition after each sale of horses a ritual drink would follow. Ekiel and the buyer would go into the bar of Langham Hotel to seal the deal with the ritual drink (Gibson, 1981; Documentary, 1995). During one of these visits, Sam observed that the barman was making more money than they were and said " The Langham's bar makes more profit than we do. Father, instead of selling horses, we should be selling drinks " (Newman, 1978; Marrus, 1991; Documentary, 1995).

It was not until 1903 when the Bronfmans bought their first hotel that they tapped into the liquor business. A year earlier a family conference had decided that they should move into this trade for several reasons. First, Ekiel wanted his sons to prosper as merchants. Second, he wanted to remove Abe from the card playing habits that he developed during an apprenticeship at cigar making. Finally and most importantly, it was a cash generating business that would give them time to practice their religion with minimal hindrance (Bronfman, 1937; Booth, 1976).

The Hotel Business: The Rise of An Entrepreneur

In January 1903, Abe and Harry purchased the Anglo American Hotel in Emerson Manitoba (Bronfman, 1937; Documentary, 1995). The investment was successful and in less than a decade the Bronfmans had a chain of hotels stretching across the prairies. It was Harry who was running the hotel chain and made decisions affecting the family business (Bronfman, 1937; Siekman, 1966; Newman, 1978; Marrus, 1991). The family decided that at the age of 21, Sam was sufficiently capable to take charge of the $200,000 Bell Hotel in Winnipeg. Single handedly, Sam transformed the Bell Hotel into the most profitable of their hotels. It generated a $30,000 profit each year. Later he moved into the fur business turning a $50,000 profit in one deal (Marrus, 1991). The brothers continued to purchase other hotels in Saskatchewan. Barney Aron, a scholarly rabbi, married the eldest daughter Laura. He assisted the Bronfman brothers in the Hotel business and later remained an integral part of the family and the family business (Bronfman, 1937). Allan was the only Bronfman brother who did not manage a hotel on his own. The youngest brother graduated from high school and later studied Law at the University of Manitoba (Booth, 1976).

The Struggle For Power

When war time prohibition fell upon Saskatchewan in October 1914 the profits generated by the hotel business started shrinking because liquor sales accounted for a large portion of the profits (Newman, 1978). Sam and his older brother Harry, discussed their next venture. By then Sam was Harry's equal since he became a full contributor after managing the Bell Hotel. Abe relinquished any hope of leading the family because of his indulgence in gambling (Bronfman, 1937; Marrus,1991; Documentary, 1995). Harry wanted to remain in the hotel business hoping for better times and wanted to enter the automobile or real estate business. It was Sam who decided it was time for the family to enter the liquor business. Sam gave his brothers an ultimatum " You can run flop houses or piddle about in land deals if you want, I'm going east to get into the liquor business " (Marrus, 1991).

The Bronfmans had long since discovered that the best place to make money from liquor sales is to be the liquor supplier. So they took the family assets and moved into the inter-provincial liquor business (Bronfman and DC-SL, 1971). They shipped whiskey from one province to customers in another province (Siekman, 1966). Harry handled orders while Sam was on the road surveying and coordinating the business. Their new venture thrived until 1918 when Ottawa imposed wartime prohibition throughout the Dominion. This virtually wiped out the Bronfmans' mail-order business (Bronfman, 1937; Siekman, 1966). Luckily, Sam identified a loophole in the prohibition legislation: alcoholic liquors for medicinal purposes were not banned. Sam and his brothers took full advantage and started the drugstore trade, though it was lucrative it did not match the sales volume of the mail-order business (Bronfman, 1937; Bronfman, 1970;Newman, 1978; Documentary, 1995). When interviewed a few years later, Sam made it clear that he was the one in charge of the business and was quoted as saying " I know more about the liquor business than Mr. Harry Bronfman. In 1920 Mr. Harry Bronfman spent more time looking after the City Garage than the liquor business " (Marrus, 1991). Harry disagreed and argued that his involvement in the financing and the imports of spirits from the United States was a crucial factor in the family's mail-order business (Bronfman, 1937).

The Family Struggle During The Prohibition Period

In 1919, a majority of the states voted in support of the Eighteenth Amendment which banned the import, sale and manufacture of any alcoholic beverage (Newman, 1978). The Canadian government not only declared liquor exports to the U.S. to be legal but also encouraged it (Newman, 1978; Documentary, 1995). For the Canadian distillers expenses were minimal with no advertising and marketing, trade with bootleggers was very profitable. During the early years of the prohibition period the Bronfmans used a separate family-owned company which operated under the name of Canadian Distributing Company which subsequently changed name to Atlantic Company and then to Atlas Shipping (Marrus, 1991). By 1926, Atlas Shipping, was used as a connection between the family's new Distillers Corporation Limited which later became Distillers Corporation-Seagram Limited in 1928, and the American bootleggers. Atlas Shipping bought whiskey from Seagrams or imported it from abroad and then resold it to the bootleggers (Siekman, 1966). Harry kept turning out more booze through the distillery while Abe handled shipments. As for Sam and Allan traveled about the country establishing a network of connections with American bootleggers and handling the financial operations (Newman, 1978). On December 5, 1933 prohibition came to an end.

Succession In The First Generation

The Successor: Samuel

In 1918 Sam's mother, Minnie, passed away and a year later, Ekiel fell sick. On his deathbed Ekiel anointed Sam as heir and charged him with taking care of the family (Siekman, 1966). Ekiel chose Sam because he had witnessed Sam's strong work-ethic and entrepreneurial skills. Also with the family business diversifying from the hotel to the liquor business Sam was the most logic successor since he was the most knowledgeable in that field. With Abe's gambling habits diverting his attention away from business and Harry gradually losing control to Sam it was evident that Sam would take the reigns.

Sam had been attracted by Saidye, daughter of Samuel Rosner, another immigrant from Bessarabia. They were married on June 20, 1922. She had then completed two years at University of Manitoba and had worked as a typist until her marriage (Bronfman, 1982; Bronfman, 1986; Marrus, 1991).

Distillers Corporation Limited

After the elimination of the mail ordering business, Sam decided to build the family's first distillery to supply consumers through the newly created Government Liquor Control Boards (Bronfman, 1970). According to documents, in 1924, Sam and Allan traveled to Montreal, and bought a parcel of land at Ville La Salle to build their first distillery (Bronfman, 1937; Bronfman, 1970; Siekman, 1966). They hired a consultant to assist their brother Harry who took charge of the construction and later the distilling operations while they handled the financing aspects. In less than a year the La Salle distillery was operating and the Distillers Corporation Ltd. was established (Bronfman, 1937; Siekman, 1966; Bronfman, 1970; Newman, 1978; Marrus, 1991).

Since Sam was acknowledged as heir it was he and not Harry who was president of the Distillers Corporation Ltd. The official reason was that the elder brothers had encountered difficulties with the Saskatchewan authorities during the mail-order business. Although Harry was responsible for the construction of the plant Sam declares that all final decisions in relation to the plant were made by him (Siekman, 1966). Allan was Secretary while Abe lost any hope of gaining control. The ownership percentages were as follows; Sam and Harry each 30 %, Abe 19 %, Allan 14 % and Barney Aaron 7% (Marrus, 1991).

Distillers Corporation-Seagram Limited

The Bronfman brothers, however, faced two major obstacles according to Siekman (1966). One, the Bronfmans' newly formed company had no established brands. The market was dominated by imported Scotch rather than the local Canadian whiskey. Second, by Canadian law, whiskey was required to be aged before it was bottled and they had no aged whiskey to sell. To solve all these problems, Sam and Allan set sail for London in 1926 to meet the giant Distiller, Distillers Company Ltd.(DCL), whom owned over half of the world's Scotch market (Bronfman, 1937;Siekman, 1966; Bronfman & DC-SL, 1971; Newman, 1978; Documentary, 1995). The Bronfmans presented samples of the new distillate and offered the huge Scotch conglomerate the right to purchase a half interest in their new Montreal venture. The brothers needed the capital, but what they wanted mostly was to obtain the right to import whiskies from Scotland and mix them with their own grain alcohol in order to sell them under well known brands. No decision was taken but six months later DCL executives arrived at Montreal to inspect the distillery (Siekman, 1966; Newman, 1978; Documentary, 1995).

In a matter of eight weeks, Sam and Allan were called back to London and told their proposition would be accepted on condition that DCL would obtain 51 % interest of Distillers Corporation Limited. The Bronfmans reluctantly agreed and signed the licensing agreement in 1926, the same year the Seagram family's distillery business became a public company with an offering of 250,000 shares priced at $ 15 a share. In 1927, Joseph E. Seagram & Sons was for sale due to nepotism and the lack of interest demonstrated by the

Seagram family. With the consent of their partners in London, the Bronfman brothers acquired Joseph E. Seagram & Sons along with its well known brands of gin and whiskey (Bronfman, 1970; Siekman, 1966; Newman, 1978; Fortune, 1948). This purchase led to the birth of Distillers Corporation-Seagram Limited on March 2, 1928 (Bronfman & DC-SL, 1971).

The Struggle for Ownership Control

Sam was Vice-President and fully in command, followed by Allan. Sam , Allan and Harry all drew the same salary- $25,000 a year (Marrus, 1991). By the mid 1930's Harry admits that he was totally shut out of the decision making and bypassed in the chain of command (Bronfman, 1937). Among the four brothers there was no question that Sam was the boss. Neither Harry nor Allan dared to question his authority. In 1934, Harry fell ill, due to excessive work and lack of relaxation, he felt his brothers wanted to ease the work off him and also reduce his shares (Bronfman, 1937). He felt he was being pushed aside and the brothers quarreled bitterly over their shares in the enterprise. Finally the brothers agreed upon a new division of their shares: Sam 40 %, Harry 20 %, Allan 19 %, Abe 14 % and Bary Aaron 5 % (Marrus, 1991). Harry later commented " Allan turned to Sam and between themselves, they have endeavored in every way to show a domineering control in the affairs of the company " (Marrus, 1991).

By 1936, Sam was running everything. Harry was reduced to the construction and maintenance of the American manufacturing facilities. Allan was relegated to the role of senior executive assistant in Sam's office, while Abe was withdrawing from active management (Newman, 1978; Marrus, 1991). With full control in1951, Sam felt it was the right time to approach his brothers and sisters on how to divide the family's enterprise. Terence Robertson, a close friend of Sam's was cited in Marrus's book (1991), remembering Sam saying " My brothers had complicated matters, by giving their families the impression that each one of them was the real brains behind our business, and none wanted to lose face by having to admit to his children that he really wasn't entitled to a lion's share. Harry and Allan seemed confident that their sons would inherit part of Seagram's on a more or less equal basis with my sons. I could never allow this, mainly because I don't believe that anybody should clother up his business with relatives, we have enough of that in government ".

In 1951 the entire fortune was \$20 million in cash, property and investment plus the family's 53 % share of DC-SL with remaining shares conveniently and widely distributed amongst some 9,000 other investors (Marrus, 1991). Sam laid out his plan in which he would receive \$8 million and 37 % of the 53 % of the family shares. Allan would receive \$3 million, Abe and Harry \$ 2 million each and each of the four sisters \$1 million with remaining family shares of DC-SL divided amongst them seven. He made it clear that Seagram belonged to him and only him. Sam remembers his elder brothers protesting but it was his sister Rose who supported his plan and was quoted saying " Sam is being modest about his own share, and generous to all of us. I for one am very proud of him " (Marrus, 1991). The elder brothers, having retired from active management long ago, reluctantly accepted the plan. Sam accomplished his goal and now with almost all his family out of the way, Allan , seemed to be the last family problem in terms of succession.

Family Involvement: The Second Generation

Saidye Bronfman gave birth to Minda in 1925, Phyllis in 1927, Edgar in 1929 and Charles, the youngest of the family, in 1931 (Siekman, 1966; Bronfman, 1982; Bronfman, 1986; Documentary; 1995). Minda grew up in Montreal till 1942 then she went to the U.S. to attend Smith College in Massachusetts. After graduation she went to Columbia University and later pursued her Master's degree in political science and history. She got a job as a Time Magazine researcher at $60 a week and later, worked for six months at Lehman Brothers. In 1952, while on trip in Europe with Sam and Saidye she met a young French banker, Alain de Gunzburg, whom she later married in December 1953 (Siekman. 1966; Newman, 1978; Documentary, 1995).

Phyllis was the more talented and independent of the two girls. Fascinated by art, she learned to paint and sculpt. She attended Cornell University for a year and then moved to Vasser where she graduated with a liberal arts degree in 1948. Soon afterward she met Jean Lambert, and they were married in 1949. Three years later they separated and were eventually divorced. Phyllis resurfaced with her innovative design of 375 Park Avenue, the prestigious New York headquarters of Seagram (Siekman,1966; Newman, 1978; Documentary, 1995).

Succession In The Second Generation

Grooming The Offspring

Sam had no doubt that his sons would take over the business and so he communicated this to them from the time they were very young (Bronfman & DC-SL, 1971; Bronfman, 1970). Edgar and Charles attended school in Montreal till eighth grade and later were sent to Trinity College, a boys preparatory school in Ontario. Edgar went on to Williams college in Massachusetts and as soon as he obtained his B.A from McGill University in 1951, he joined Distillers Corporation-Seagram Limited. As for Charles, he attended McGill University and joined the company the same year as Edgar (Siekman, 1966; Booth, 1976; Newman, 1978).

Both brothers spend their weekends and summers in the La Salle plant acquiring knowledge about the business in general under the guidance of professional distillers (Bronfman,1970). Sam set Edgar up with a small desk in the corner of his office for two years , teaching him the business from the top-down. Sam recalls that Edgar " was at my side daily observing, listening, asking questions and gaining invaluable experience " (Bronfman,1970). From then onwards it was a fast paced ascent to the top.

At 24, and after two years full time with the company, Edgar was responsible for the operation of all company plants in Canada. At 26, he was in New York as Chairman of the Administrative Committee of Joseph E. Seagram & Sons Inc. and less than two years later he became President of the American operations (Company Records). Saidye, Sam's wife asked him " Why do you give this boy so much responsibility ? " Sam answered, " Then he can make mistakes that I can correct when I'm alive " (Newman, 1978). With Sam's supervision Edgar was becoming the new leader of the next generation. Because of Edgar's high level of determination he was able to prove himself to his father. When he arrived in the U.S. to head the American operation he found the company divided into three empires-production, marketing and finance. Edgar managed to take over and reorganize production and finance. With a bit of opposition from the older executives he finally managed the marketing sector (Siekman, 1966; Remnick, 1986). He proudly states " I became the president de jure in 1957 and de facto in 1962 " (Newman, 1978).

Charles joined Seagram as a salesman in 1951. By 1954 he took complete control of Thomas Adams Company a small subsidiary of Distillers Corporation-Seagram Limited. With 40 salesman marketing the Thomas Adams Company, Charles was able to transform it into one of Canada's top brands (Newman, 1978). In 1958, he became responsible for marketing throughout the entire Canadian wing. Pleased with his performance, Sam appointed him President of The House of Seagram Ltd. He was responsible for the markets in Canada, Jamaica and Israel and he also served as Vice-President of Distillers Corporation-Seagram Limited (Bronfman, 1970; Company Records).

Their cousins, Peter and Edward were Allan's son's. They graduated from Yale and Babson Institute respectively. By 1952 they were eager to join the company, which Sam did not allow to make sure that only his sons would take over (Louis, 1979; Gibson, 1981; Martin, 1986). Sam comments " I don't think its good in a family, one leader and the rest sheep getting dividends " (Marrus, 1991). Partly as a result of joint agreement between himself and Sam some years earlier, Allan lost the battle for his sons before it began. Ownership of the family shares had originally been divided among Sam, his three brothers (Abe, Harry and Allan) and their four sisters. By the mid-forties, the eight Bronfmans still owned around 53 % of the stock. Sam with the largest share was in control. Abe's and Harry's shares were widely spread out amongst their heirs while the sisters owned a relatively small percentage The remaining 47 % were conveniently and widely distributed among some 9,000 other investors (Marrus, 1991 and Company Records).

Ownership Control: Cemp Or Edper ?

As far back as 1928, a year before the birth of Edgar, Sam was determined that he would keep the company under family control and yet not burden it with the weight of relatives. He made this decision, soon after the Bronfman's newly formed Distillers Corporation, acquired Joseph E. Seagram & Sons. Sam observed that Seagram had faltered after the command passed from the founder to his heirs, and learnt a lesson of how a family business could possibly lose control (Bronfman, 1970; Siekman, 1966). To ensure the inheritance by his sons, Sam had to maintain control of the rapidly growing liquor company and remove the potential threat to succession from within the family itself. He also had to generate and build the ability and determination within the boys to lead their father's empire (Bronfman, 1970; Newman, 1978).

Sam and his younger brother, Allan were tied up in a complex financial arrangement. The arrangement was designed to enable the two brothers to pass their wealth to their children and maintain a controlling interest. Sam's and Allan's shares of Seagram became the sole assets of Seco Ltd., a private company controlled jointly by their family trusts (Newman, 1978; Marrus, 1991). The stocks of Seco were entirely owned by two groups: The first was Cemp which represented funds established for each of Sam's four children and their heirs. The second was Edper which represented funds for Allan's three children and their heirs. Sam became a trustee for each of Edpers funds and Allan served the same for Cemp. The trusts were identical except as to their percentages. The two brothers owned roughly 40 % of Seagrams stocks with Sam's share far larger with 2.2 million shares while Allan only had 1.1 million shares. Majority ownership allowed Sam to vote all his stock, as well as Edper's. Sam was determined that only his sons would work for the company, so therefore he barred Allan's children from joining Seagram. This resulted into a life-long rivalry between the two brothers (Newman, 1978; Louis, 1979; Martin, 1986; Gittins, 1995).

In the early Sixties, Sam wanted Seco Ltd. entirely under his own family's jurisdiction. He demanded that Edward and Peter, Allan's sons, sell him the 600,000 of the 1.1 million shares and he offered two dollars less than the market price which at the time was $ 28 per share on the ground that he was entitled to a discount for taking such a large block. The brothers did not want to sell but they gave in after Sam threatened to throw their father out of the company. The family division was formalized when Cemp bought out Edper's share in Seco giving Sam's children ownership of 32 % of Seagrams shares (Louis, 1979; Martin, 1986; Marrus, 1991; Gittins, 1995). Peter and Edward eventually sold off the remaining shares claiming " there are lots of better investments around " (Newman, 1978). Sam never expressed regrets, and seems to have considered the break with Allan as necessary to secure the continuation of his life's work.

The Second Generation Successor: Edgar Sr.

From the very beginning, Sam Bronfman asked no more and no less of his two sons, Edgar and Charles, than that they succeed him in commanding The Seagram Company Limited. Sam always knew that Edgar and not Charles would eventually rule the company and succeed him. Edgar appeared to be more self-confident and appeared to have more determination. Edgar was quoted saying " I felt my father loved me more. No, love is not the right word-expected more from me as the No.1 son "(Marrus, 1991). Edgar was determined that the dispute between his father and uncle years ago would not be repeated by him and Charles. A few years later the two brothers, then in their early twenties came to an agreement about their future together. Edgar staked out his claim to move to New York and run the giant American branch: which accounted for 90% of the company's business. Charles had no objection: " I don't like New York and the throat cutting, the tremendous competitive drive that goes on. I said to Edgar that as far as I was concerned, he is No.2 and I am No.3. I don't particularly want to run this empire " (Siekman, 1966; Newman, 1978). By 1962,Edgar took full control and later became President of the American operations with Sam's approval. Charles became President of the House of Seagram, the Canadian branch. Sam confined himself to the roles of President of Seagram Overseas and a $100,000 consultant to his son Edgar (Company Records; BusinessWeek, 1981; Marrus, 1991).

After the death of Sam in 1971, Edgar took over as Chairman and Chairman Executive Officer of The Seagram Company Limited, while Charles became President and the Chairman of the Executive Committee in 1975. In 1979 Charles became Deputy Chairman and eventually in 1986 Co-Chairman of The Seagram Company Limited (Annual Reports and Company Records).

Family Involvement: The Third Generation

Ann Margaret Loeb Edgar's wife gave birth to Samuel II, Edgar Jr., Holly, Matthew and Adam. After being married for several years the couple broke up. In 1975 Edgar married Georgiana Eileen Webb who gave birth to two girls (Newman, 1978; BusinessWeek, 1981; Remnick, 1986).

Edgar's eldest son, Samuel II, went to college at Williams, where he majored in American civilization. Sam's first job out of Williams College was with Sports Illustrated in the advertising department. He was sports editor of his college newspaper. After four years with Sports Illustrated he decided to join The Seagram Company Limited (Gilpin and Schmitt, 1986; Goldfarb, 1991; Wood, 1994).

Edgar Jr. was born and raised in New York, attended New York's Collegiate School. At the age of ten, he always knew that he would never go to college. He was sent to summer camp, but when he was fifteen he refused to go back. He convinced his father to put up $ 450,000 to finance a movie script. In 1971, Edgar Sr., hired a producer, David Puttnam and screener, Allan Parker to start production in England. Edgar Jr., talked his father into getting them to hire him as a gofer. He was paid ten pounds a week. Edgar Jr. recalls " I loved being on my own and I liked dealing with the creative process " (Leinster, 1986; Rothman and Maremont, 1989; Auletta, 1994; Bates, 1995).

The next summer he went back to England and worked as an assistant to Puttnam. He Co-produced a movie called " The Blockhouse " that utterly failed. Edgar returned to finish Collegiate and during his senior year he embarked on a partnership with a Broadway producer Bruce Stark. After graduation, Edgar Jr. told his parents that he would not go to college but would instead continue his partnership with Bruce Stark. His father refused to support him if he refused to go to college. The partnership never worked out. Young Edgar headed to Hollywood where he met a lot of influential people in the entertainment business. Edgar's relationship with Edgar Sr., was estranged for several reasons. Firstly his father was in and out of marriages. Secondly, Edgar Sr. disapproved of Edgar Jr.'s marriage to actress Sherry Brewer. In 1979, Edgar Jr. and Sherry Brewer married and eloped to New Orleans where they gave birth to their first child of the three children a year later. That same year Edgar was Co-producing a movie for Universal pictures called the " Border " starring Jack Nicholson. The movie flopped but won a few decent reviews. The young Bronfman never did produce a blockbuster. Nevertheless, Edgar Sr., approached Edgar Jr., in 1982 and invited him to join what he described as a " publicly held family business " (Leinster, 1986; Rothman and Maremont, 1989; Auletta, 1994; Church, 1994; Bates, 1995).

Charles married Barbara Baerwald in 1962 and she gave birth to Stephen Rosner and Ellen Jane. Stephen and Ellen have diverted their energies areas outside of Seagram (Fife, 1987; Newman, 1978).

The Successor: Edgar Jr.

In 1980 Edgar Sr., was fifty-one years old and had run the company since his father's death, in 1971. He had a purpose in asking young Edgar to join the company. He said " It was always important to me, and I'm not quite sure why, that one of my children would take over this company after me ". Charles, his younger brother, was Deputy Chairman and had diverted his energies into other ventures. Phyllis and Minda had stock in Seagram but were uninvolved. Sam II was already an executive in the wine division of Seagram but Edgar Sr., did not believe that he was the natural heir to the company. When Edgar Sr., looked at young Edgar he saw more of himself than he saw in Sam, he says he saw a quick, instinctive decisive mind (Leinster, 1986; Auletta, 1994).

Edgar Jr., agreed to join Seagram's but put forth three conditions that had to be met. First, whatever job he started with, had to be temporary; if he didn't like corporate life, he would ultimately quit. Second, he recalls saying " I have an older brother who's already in the company whom I love very much, and if its not O.K. with him I'm not joining "(Auletta, 1994). Third, if he joined the company he would eventually run it. He said " I can't ultimately work for someone else if I prove myself " (Auletta, 1994). The main reason he agreed to his father's proposal was because of " Family ". Edgar Jr., continued " There is an incredible pride in this company and in the family, in who we are and what our grandfather created, and what our father and uncle enlarged " (Leinster, 1986; Rothmans and Maremont, 1989; Auletta, 1994; LoDico, 1995).

In 1986, Edgar Sr., decided to chose Edgar Jr., to eventually succeed Beekman as President and Chief Operating Officer. Edgar Sr., recalls that it was a hard decision to make because he did not want to hurt his older son's feelings. Sam II admits " It was hard for me at the time, because I was the oldest son " (Auletta, 1994). He came up with the same answer his brother came up with in 1982: Family Unity. He later added that Edgar Jr. was better suited for it. " That's something I agree with from both a life-style and an ability standpoint " (Auletta, 1994).

Grooming The Offspring

When Edgar Jr. agreed to join this effectively blocked jobs at Seagram for Edgar Jr.'s, two younger brothers, sisters and cousins " there is an unwritten tradition around here that only two of any generation will work at the company " says Edgar Senior (Leinster, 1986). Edgar Bronfman Jr., joined Seagram in early 1982, as an assistant to Phillip Beekman, who was then the President and Chief Operating Officer. The position provided Edgar Jr. a fast overview of all Seagram's operations, including planning, marketing, packaging and an internal look at the wrangling of various committees. Within months, Edgar Jr., asked to run Seagram's European Operation. Edgar Jr. left to head the European operations, in two years he over-saw the acquisition of two U.K wine and spirits chains and a German winery. Sales increased 20 % and profits 200 %. Edgar Sr. was pleased by his young son's performance (Company Records; Leinster, 1986; Church, 1994).

When Edgar Jr. started at Seagram, the company had three basic businesses-spirits, wine and non-alcoholic beverages. In 1984, Edgar Sr., asked his son to return to the United States to run the large spirit segment. Having done so for a year, Edgar Jr., set out to expand the wine-cooler business. In 1985, he streamlined operations, axing around 100 of 750 jobs, severing ties with several distributors and dropping four advertising agencies. Edgar Jr. continued to slash and downsize, that in 1987 he combined several marketing operations and slashed two dozen non-premium brands from Seagrams products line. A year later he handled very important acquisitions that he could put his stamp on such as Tropicana , Martell and Time Warner in 1994. He finally became Chief Executive Officer in 1994 officially succeeding his father (Company Records; Annual Reports; Leinster, 1986; Auletta, 1994; Church, 1994; Hass, 1994; Zinn and Flynn; 1995).

Samuel II started with Seagram's California wine business, worked briefly in the spirits operation and proved himself as a capable manager. Since 1984 till the present day he became President of the Seagram Classics Wine Company, a small division of the spirits and beverage segment (Gilpin and Schmitt, 1986; Goldfarb, 1991; Wood, 1994).

Ownership Control

Through the set up of Cemp, Sam made his four children income beneficiaries but deeded the assets of the trust to his grandchildren, partly for tax reasons. This set up allowed his children Charles, Edgar, Phyllis and Minda to exercise their shares as a unit, though the grandchildren are entitled to cash in.

Edgar and Charles have been quick to buy up most of the Seagram stock put up for sale by relatives. But they had to sell off the major assets of the family holding company. Cemp Investments Ltd. to raise cash in order to settle with nephews and cover the share repurchases (Terry, 1987; Gibbens, 1993).

On May 1987, the family members dissolved Cemp Investments Ltd. freeing 1.3 billion to be divided amongst them. The breakup would give Edgar, Charles, Phyllis and the family of the late Minda de Gunzburg, about 325 million each in cash plus their Seagram shares, securities and exchange commission (Terry, 1987; Best, 1987) .

Today, the Bronfman family own approximately 36.06 % of the outstanding shares. Most of the family's outstanding shares are controlled by two trusts, the Edgar Miles Bronfman Trust, (EMBT), and Edgar Miles Bronfman Family Trust, (EMBFT), whom own 16.88 %. and Charles Rosner Bronfman Trust, (CRBT), Charles Bronfman Family Trust, (CBFT), and Charles Rosner Bronfman Family Trust, (CRBFT), whom own 15.74 % of the outstanding shares with remaining family shares owned by Phyllis and the Gunzburg family. The Bronfman brothers insist that even after the breakup of Cemp Investments the family's voting block in Seagram still remains intact. Though the only threatening problem would be the third generations demand to liquidate trust assets (Company Records; Terry, 1987; Fuhrman, 1987; Gibbens, 1993).

CHAPTER 4

Tracking Strategy In The Seagram Company Limited

This chapter will document the level of involvement of family members in the strategic decision under different generations.

First Generation, 1928-1971: Samuel Bronfman

The first period seen a lot of involvement of the family members in the strategic decision. The following are key strategic decisions made by Sam with the involvement of other family members.

Formation of Distillers Corporation-Seagram Limited (1928)

After the purchase of Joseph E. Seagram & Sons Inc., Distillers Corp-Seagram Ltd. was founded in March, 1928. The Seagram stockholders received 25 % of the company while the remaining 75 % went to the Bronfmans and their Scottish partners. The company established its head office in the Bronfmans' castle like building in Montreal, with DCL's Chairman W.H.Ross as President, Sam as Vice-President and Allan as Secretary. Harry administered the Ville La Salle distillery while Abe only handled shipments and controlled the warehouses (Newman, 1978; Siekman, 1966; Marrus, 1991; Bronfman, 1937).

Preparation for the U.S. market

In 1928, Sam was convinced that Prohibition in the United States would soon come to an end and so started to make plans for that day, having in mind that he would dominate the American market (Bronfman, 1970; Bronfman and DC-SL, 1971). The Bronfmans enlarged production in the La Salle and the Seagram plants, built warehouses, and began to fill them with maturing whiskies (Bronfman, 1970). When prohibition came to an end in 1933, Sam was studying the U.S. market. He was enthralled by an American distiller named Rosenstiel, the largest shareholder in Shenley (Seagrams fiercest future competitor in the U.S. market at that time). After a couple of visits between the two, Rosenstiel worked out a plan for a partnership with Sam. Rosenstiel believed with his knowledge of the U.S. market and the Bronfman's financial and prestigious DC-SL brands from Scotland they would dominate the U.S. market (Siekman, 1966; Newman, 1978).

Departure of DCL

In 1933, Sam and Allan proposed a merger with Sheneley's to the DCL board for a joint assault on the U.S. market. The DCL rejected the proposal claiming that they do not need a partner to share the opportunity of re-entering the U.S. market. The Bronfman brothers returned to Canada where they raised $ 4 million to buy out the DCL holding in Distillers Corporation - Seagrams Limited. Meanwhile, Rosenstiel suggested a 50/50 partnership in the U.S. market, but the chances of a merger disintegrated when Sam visited the Schenley plant and discovered that one of their leading brands was being bottled right out of the stills with no aging involved. Rosenstiel and the Bronfmans broke the possible merge and embarked on a life long rivalry (Bronfman, 1937; Fortune, 1948; Siekman, 1966; Bronfman, 1970; Newman, 1978).

Entry of the U.S. market

With Sam as president the American operations began. The Bronfmans faced two major considerations. First, Seagrams had no plants and no inventories of whiskey in the United States. So in 1933, the Bronfman brothers immediately acquired The Rosville Union Distillery in Lawrenceburg, Indiana for $2,399,000 and set up Joseph E. Seagram & Sons Inc. to handle all U.S. affiliations. With new offices and a purchase of another distillery in Relay Maryland in 1934, the Bronfmans immediately began enlarging the new plants and building warehouses filling them with maturing whiskies brought from Canada (Annual Reports; Company Records; Bronfman, 1937; Bronfman, 1970; Bronfman and DC-SL, 1971). Second, Sam disliked the Americans distillers method of production in which they sold to rectifiers, who sold to retailers, who in turn sold to the public. Sam believed in a totally integrated operation in which that a distiller was responsible for all operations from distilling to marketing (Bronfman, 1937; Bronfman, 1970; Bronfman and DC-SL, 1971; Company Records).

Following Repeal, many U.S. distillers decided to sell freshly distilled, unmixed liquors like bourbon or straight rye. Unlike the U.S. distillers, the Bronfmans carefully blended his whiskey resulting in a light taste. The brothers shipped loads of whiskies from Canada to his American distilleries blending with neutral spirits. Sam insisted on delaying his entry in the U.S. markets arguing that he wanted to introduce his whiskey as high quality liquor while other distillers were making a bonanza in sales. Sam waited not caring for the immediate profits he could have gained. In 1934, his patience and craftsmanship rewarded them highly. In August, DC-SL introduced Five Crown and Seagram Seven Crown brand. By the end of the year Seven Crown had become the best selling whiskey in the country (Bronfman, 1970; Gibson, 1981; Annual, Reports; Company Records). With DC-SL's Crown brands dominating in the U.S. market, Sam decided to launch a series of advertisements designed to reduce drinking " We Who Make Whiskey Say: Drink Moderately " was the message. It had a startling impact on the public and was considered as one of the most successful advertisements of all time (Bronfman, 1970).

Explosive Expansion

By 1936, DC-SL's sales were up to $ 70 million and the company was in a healthy position to grow. Sam was always fascinated by the Scottish highlands and the rich quality of Scotch they produce. So in 1935 the Bronfman family acquired Robert Brown Company which subsequently changed its name to Seagram Distillers PLC. In May 1937, Harry completed the construction of DC-SL's largest and newest distillery in Louisville, Kentucky and later in the same year the Bronfman brothers purchased Carstairs Bros. Distillery Company (Annual Reports; Company Records).

This period seen Sam making all the strategic decisions with very little involvement of other family members (siblings). However the end of this period seen more involvement of the offspring as they emerge as potential successor.

By 1939, World War II was closing in and all Seagram Canadian plants converted their production from beverages to high proof alcohol required for synthetic rubber and other purposes. In the early period of 1941 more acquisitions were made by the

Bronfmans such as the Wilson Distilling Co. and Hunter Distillers Incorporated. Both were in the U.S. which was still in peace and they were able to produce beverages. The following year, Sam purchased British Columbia Distilling Company Limited and its affiliate, Amherst Distillers Ltd. of Amherstburg, Ontario. This acquisition and the others acquired a year earlier were of great value to the company which were required to solve inventory problems (Annual, Reports; Bronfman,. 1937; Bronfman, 1970, Bronfman and DC-SL, 1971).

Wine Segment

In 1942, DC-SL diversified and entered the wine industry as a major shareholder in the firm Fromm & Sichel Inc. It also acquired Paul Masson Vineyards in California a year later. DC-SL was quickly establishing itself in the wine segment. During that same year DC-SL introduced Calvert Canadian Whiskies, Captain Morgan Rums in Canada. It also purchased Frankfort Distillers in the U.S.(Annual Reports; Bronfman, 1970; Company Records).

By mid 1940's, rum was increasing in popularity. Sam formed Captain Morgan Rum Company in Jamaica and purchased plants and facilities in Puerto Rico in order to position the company ahead of its competitors. In 1948, the company 's sales hit $738 million and net profits after taxes amounted to $53.7 million (Annual Report). With tremendous growth and profitability, one of the most important acquisitions was Chivas Brothers Ltd. of Aberdeen, Scotland in 1949 for a very modest sum. Chivas was known for its appreciation and excellence, Chivas Regal is today one of the worlds largest selling and most deluxe Scotch Whiskey (Annual Reports; Company Records). In order to establish himself in Scotland two more purchases took place , William Longmore Ltd. and Strathisla-Glenvilet Distillery which proved to be of major importance in the years ahead (Annual Report; Company Records).

Hotel and Oil

The years 1952 and 1953 witnessed major diversification's by DC-SL. Sam purchased a tourist resort, seventy-five miles east of Vancouver called " The Harrison Hot Springs Hotel ". The hotel purchase was the first diversification out of the liquor business (Bronfman, 1970). Years earlier Sam and Allan, through Seco Investments invested in a medium- sized Alberta oil company called the Frankfort Oil Company a tiny Oklahoma producer (Bronfman, 1970; Marrus, 1991).

By the 1950's the only sibling involved in the business was Allan, however, his level of involvement was minimal while the other brothers diverted their energies in other areas outside the business. With his offspring's involvement in the business, Sam acquired Barton & Guertier, Fred L. Myers & Son and United Distillers Ltd. (Annual Reports; Company Records).

Reorganization & Restructuring

With fast growth of acquisitions and purchases, The House of Seagram Ltd.(Canadian branch) was named the management company for all subsidiaries in Canada, Jamaica and Israel headed by Charles while Edgar managed the U.S. operations. As for Sam he headed the Seagram Overseas Corporation Ltd. which was formed to operate and develop plants in various countries of the world (Annual Reports; Company

Records; Bronfman, 1970). In 1957, the U.S. headquarters was moved from the Chrysler Building to their new building at 375 Park Avenue in New York city marking an era of growth (Annual, Reports; Bronfman, 1970; BusinessWeek, 1962).

Sam and son Edgar made a number of important acquisitions. In 1958 they purchased a major interest in France's Chemineaud Freres a Cognac and brandy distillery. The following year, they formed 2 joint ventures in Venezuela and became a major shareholder of Casa Vnicola Racasoli, S.P.A of Florence, known for its Brolio Chianti and other world renowned wines(Annual Reports; Company Records). As for Sam's son, Charles, he introduced new products in Canada and Israel. He was responsible for introducing the product "Sabra" in the Israeli market and the formation of International Distillers of Israel Ltd. (Bronfman, 1970 & Company Records; Newman, 1978).

Texas Pacific Oil

In 1963 the biggest purchase in years took place. Sam and purchased the Texas Pacific Coal & Oil Company for $227 million and merged it with Frankfort Oil Company to form the Texas Pacific Oil Company Incorporated. DC-SL was gradually turning itself into an oil company as much as a distillery. In matter of years production increased from 10,000 barrels of oil to 40,000 and 175 million cubic feet of gas a day. By the mid 1970's it became the 5th largest independent oil company in the U.S.(Annual Reports; Company Records; Booth, 1976; Newman 1978; Bronfman, 1970; Gibson, 1981).

Overseas Expansion

From the mid 1960's till the end of the decade, the Bronfmans formed Seagram (New Zealand) Limited, Seagram de Mexico, Seagram Belgium and Seagram Deutschland Gmbh. Due to continuous expansion overseas through joint ventures, DC-SL created Seagram Overseas Sales to administer the world wide marketing operations. Park Avenue Imports was formed in the U.S. to market special products made by Seagram overseas. The company followed a "two way street" philosophy which was simply the sale of Seagram brands to and from each of the countries in which they are established or plan to establish production facilities. As the year drew to a close, sales reached 1 billion, a remarkable achievement by Canadian standards (Annual Reports; Company Records; Bronfman, 1969; Bronfman, 1970).

Death of a Titan

Edgar was fully in charge of the American operations while Charles handled the Canadian side. Sam was gradually withdrawing from active management and limited himself to a consultant role while allowing Edgar to be more involved in the strategic decision to Edgar. Before the decade drew to a close, the company announced that in its 41 years of operation it has acquired $ 1 billion in assets. By the end of Sam's reign DC-SL had become the largest distilling company in the world with 90% of operations outside Canada (Bronfman, 1970; Annual Reports; Company Records).

Second Generation, 1971-1988: Edgar Bronfman

This period seen Edgar, the successor, making strategic decisions with sibling Charles, involvement in these decisions. The first important purchase was a joint-venture with Kirin Brewery Company Ltd. to form Kirin-Seagram Limited in Japan (Annual Reports; Company Records). This venture was the first entry of Seagram into the Asian market which later would account for a large percentage of the revenues.

The Seagram Company Limited

In 1975, Edgar Sr. changed the company's name from Distillers Corporation-Seagram Limited to The Seagram Company Limited-La Compagnie Seagram Ltee. He became Chairman and Chief Executive Officer of the company and Charles was named Co-Chairman and president of House of Seagram (Annual Reports; Company Records).

Wine

By the mid 1970's the demand for spirits was shrinking and the demand for wines was increasing. Edgar focused on the wine segment. He acquired Godefroy H. Von Mumm & Co. and Burgeff & Co. A.G. both in Germany, Bodegus Palacio in Spain, Valentin Bianchi in Argentina and Caves da Ropeseria in Portugal. Other very important wine acquisitions followed that established Seagram as a world wine maker such as the purchase of Gold Seal Vineyards of California (Annual Reports; Company Records). In Canada, marketing developments led Charles to form a new company, La Maison Secrestate Ltee to produce and import wines to Quebec. He also acquired Geo. G.

Sandman Sons & Co. Ltd., producers of ports, sherries and brandy (Annual Reports; Company Records).

Explosive Expansion

The Bronfman brothers followed a growth strategy similar to the one pursued by Sam. They formed Seagram Spirituosen GmbH (Austria) and Seagram Nederland. As for Asia, they formed OB-Seagram Company Ltd. of South Korea and Seagram Thailand Limited. It was not until 1978 that they tapped into the Australian market and then finally the Cameroon and Nigeria in Africa (Annual Reports; Company Records).

Sale of Texas Pacific Oil

After 17 years of ownership, Edgar signed an agreement to sell Texas Pacific Oil Company for $ 2.3 billion to the Sun Company Inc., retaining a 25 % in producing properties and 49 % in non-producing properties. Later in 1985, Westcoast Petroleum Ltd. paid $ 121,500,000 for the company's subsidiaries, Texas Pacific Canada Ltd. and Texas Pacific Oil Company (UK). In 1988 the company disposed of its remaining interest, ending the company's direct involvement in the oil and gas industry (Annual Reports; Company Records).

This period seen Edgar making most of the strategic decisions with some involvement of the sibling. Charles was diverting his energies in other places other than Seagram, while Phyllis and Minda were uninvolved. However, the end of this period seen more involvement of the off spring as they emerge as potential successors.

It was not until 1979, that the third generation members joined the business. Samuel II started in the wine segment of the company (Goldfarb, 1991; Wood, 1994). Sam II and Edgar Sr. acquired all outstanding capital stock of General Beverage Company and its subsidiaries, formally known as The Wine Spectrum (Taylor, Great Western, Taylor California Cellars, Sterling Vineyards and the Monterey Vineyards wines and champagnes) a decision that strengthened their position in the wine segment in California (Annual Reports; Company Records). In 1984, Edgar promoted Sam as Head of the Wine division (Company Records; Goldfarb, 1991; Wood, 1994).

Du Pont

In August 1981, Edgar made a tender offer for 51 % of the outstanding shares of Conoco Inc. Under the terms of the offer, 27,900,000 shares were acquired for $2.6 billion and subsequently, tendered the shares to E.I. du Pont de Nemours and Company in exchange for 20.2 % interest in Du Pont common shares. Over the years the interest increased to a peak of 24.9 % as of July 1990 (Annual Reports; Company Records; Barnes, 1981; Wayne, 1985; 1987; Norman, 1991). The purchase of Du Pont has been very successful. With a $ 710 million profit of revenues of $ 6 billion in 1989, Du Pont contributed 82 % of overall profits (Annual Reports; Company Records; Rothman and Maremont, 1989; Church, 1994).

Reorganization & Downsizing

Edgar Jr. joined in 1982 as assistant chief operating officer. Two years later he acquired Oddbins Limited, an English retail outlet chain. In the same year he acquired

Matheus Mutler GmbH, a sparkling wine producer, which later became the backbone of Seagrams operations in Germany. In 1986, Seagram went through a restructuring and reorganization phase. Edgar Jr. reorganized the wine & spirits division. He streamlined , axing around 100 of 750 jobs and dropped four advertising agencies(Company Records; 1984; Rothman, & Maremont, 1989; Church, 1994).

Explosive Growth

The Bronfmans followed a growth strategy and acquired Weinbrennerie Scherlachberg Sturm GmbH & Co. and J. Cartens GmbH & Co. both of Germany, and George Morton Ltd., D. Rintoul & Co. Ltd. and Kiglass Wines & Spirits Wholesaler all of Scotland (Annual Reports; Company Records). With the introduction of a market economy in China, Seagram formed Shanghai Seagram Limited, a joint venture with China Distillery Shanghai to produce whiskies and sparkling wines for local consumption and for distribution to other markets in the region (Annual Reports; Company Records). By 1988 Edgar Sr. was gradually withdrawing from active management while allowing his offspring to play a significant role in the management of the company and in key strategic decisions but remained as Chief Executive Officer till 1994 when Edgar succeeded him (Annual Reports; Company Records; Auletta, 1994).

Third Generation, 1989-Present: Edgar Jr.

Orange Juice

This period seen Edgar Jr. the successor making strategic decisions with sibling and Edgar Sr.'s reducing his involvement in the family business gradually. In 1988, the Bronfmans purchased Tropicana Products Inc., a major orange juice producer, from Beatrice U.S. Food Corporation for $1.2 billion. The purchase of Tropicana was a major acquisition in the non-alcoholic beverage segment where there is a high annual growth (Annual Reports; Company Records; Swasy, 1988; Keefe, 1996). Starting 1991, they introduced Tropicana world-wide forming Tropicana Canada, Tropicana United Kingdom Ltd., Tropicana Europe S. A., Tropicana Products (purchase of Hitchcock) in Germany, and Kirin-Tropicana in Japan (Annual Reports; Company Records).

Edgar Jr. purchased American National Beverage, the producer of Soho National Sodas, a line of carbonated beverages distributed in selected U.S. markets for $ 14 million. The Soho division did not do very well and was later sold for a loss for $ 2 million (Annual Reports; Company Records; Zinn and Flynn, 1995). The global juice business of Dole Food Company was acquired to supplement the Tropicana division and establishing Seagram as a top juice producer. Edgar Jr. entered into other non-alcoholic and low-alcoholic beverages such as coolers, mixers and seltzers in the market. The company reorganized its juice operations into a North American unit and an International unit (Annual Reports; Company Records).

Premium Quality

Edgar Jr. did not focus on a specific alcoholic beverage. He covered all segments from wine and cognac to whisky and vodka. His focus was to try to obtain premium brands in all liquor segments in order to associate Seagram with only expensive top quality brands (Annual Reports; Company Records). In whiskey he maintained the de luxe quality of Chivas. As for vodka, he obtained the distribution rights of Absolut vodka, the number one selling vodka in the world (Annual Reports; Company Records). As for cognac, he purchased 99 % of Martell S. A. of France, one of the top producers of cognac. The purchase was mainly to give a leg up in the attractive Asian market where cognac is a very popular drink (Annual Reports; Company Records, Lietout, 1988; Simon, 1994). Edgar's reign can be characterized as continuous growth mostly in Eastern Europe and Asia. He formed Seagram offices in the Czech Republic, Hungary, Poland, Russia and Ukraine. In Asia he formed Seagram India, Seagram Taiwan and Seagram Philippines (Annual Reports; Company Records).

Restructuring & Realignment

In 1991 realignment of beverage operations along business, rather than geographic lines was undertaken to form two major business units; Seagram Beverage Group which includes Tropicana juices, coolers, seltzers and mixers and Seagram Spirits and Wine Group which comprises of all spirit and wine making and distribution operations. Restructuring within the Seagram Spirits and Wine Group led to the establishment of Seagram Asia Pacific/Global Duty Free and Military sales (Annual Reports; Company Records).

Time Warner

The first unrelated acquisition by Edgar Jr. from the beverage industry was Time Warner, the entertainment company. He secretly acquired an initial 5.7 % interest in Time Warner Inc. for U.S. $ 700,000,000. The company through a series of purchases increased its interest in Time Warner to a 14.9 % (Annual Reports; Company Records; Sloan, 1993; Schats, 1994; Simon, 1994). Seagram purchased shares in Time Warner seeking long-term profits similar to the Du Pont purchase in 1981 (Annual Reports). This was not the first strategic move in the entertainment industry by the Bronfman family. Edgar Sr. through Cemp acquired shares in M-G-M. Months later he sold the shares and lost $ 10 million (Newman, 1978). The M-G-M experience did not extinguish Edgar Sr.'s love of show business. He established Sagittarius Productions Inc. in New York to accommodate his sons interest in the entertainment business (Newman, 1978).

Sale Of Du Pont

In 1995, the Bronfmans sold 95 % of its holding in E.I. Du Pont de Nemours & Co. for U.S. $ 8.8 billion (Annual Reports). Edgar Sr. acquired the shares in 1981 for 2.6 billion (Annual Reports; Company Records). Du Pont was a very successful purchase generating 82 % of Seagram's profit as far back as 1989 (Company Records; Church, 1994). As of 1993 the revenues started to decrease.(Annual Reports; Company Records).

MCA Inc.

Edgar Jr. purchased 80 % of MCA Inc. for U.S. $ 5,704,000,000. from Matsushita Electric Industrial Co. Limited (Annual Reports; Company Records). This purchase established Seagram not only as a beverage company but also as a major entertaining company. MCA Inc. is considered as one of Hollywood's six major studios. The company encompasses music, movies, book publishing and theme parks (Annual Reports; Company Records; Bates, 1995; Stanley and Kermouch, 1995). The Seagram Company Limited is no longer a beverage empire but a diversified company, specializing in beverages and entertainment. Edgar has certainly stirred the ship in the direction that he wants to lead in the next couple of decades.

CHAPTER 5

DISCUSSION & CONCLUSION

This chapter presents the research findings and conclusion. The discussion part includes two critical issues, the strategic decision making in family firms and succession. The conclusion section suggests a number of factors that might contribute to the success and survival of family firms. The present research argues the following:

I. Strategic Decision Making In Family Firms:

The present research argues that entrepreneurial traits, entrepreneurial mode, family involvement, family interest and consideration influence the strategic decision in family firms.

(a) Entrepreneurial Traits

The Bronfman family makes a good case of how entrepreneurial traits shape and influence the strategic decision in family firms. The three Bronfman's generations: Sam, Edgar Sr. and Edgar Jr. can be identified as entrepreneurs in the sense that they were able to identify and exploit opportunities (Ibrahim and Ellis, 1994; Stevenson, Roberts and

Grousbeck, 1989). The present study suggests a number of entrepreneurial traits that were found to be associated with the three generations' entrepreneurs. These traits include leadership, vision, intuition, innovation, need for achievement, risk-taking and tolerance for ambiguity. Research studies have identified these entrepreneurial traits as characteristics of entrepreneurs (Ibrahim & Goodwin, 1986; Hornady and Aboud, 1971; McClelland, 1987). Further, the present study suggests that these entrepreneurial traits seem to influence the strategic decision in family firms.

The present study supports earlier research on leadership (Sank, 1974; Katz and Kahn, 1978; Vesper, 1980). The three generations leaders were selected because of strong leadership traits. Sam was groomed since early age to lead the family business. He was the most dominant, aggressive, enthusiastic and analytical among his siblings. Both Edgar Sr. and Edgar Jr. accepted nothing less but to lead the business. Edgar Sr. wanted to be transferred to New York where 90 % of the business existed. Similarly, Edgar Jr. accepted to join the company on a condition that if he proved himself to his father over the years, he would be allowed to eventually run the company. The three Bronfmans exhibited leadership characteristics and were thus selected as leaders by the family. Fig (5.1) summarizes the leadership skills for each of the three leaders.

It is also commonly believed that it is necessary for entrepreneurs to have a long-term vision. Most entrepreneurs have long-term goals which allow them to persevere. Short-term problems are seen only as obstacles that must be overcome in order to allow them to continue the pursuit of their long-term objectives (Ibrahim & Ellis, 1990). Their long-term vision is the driving element in their success and something that most hold on to (Kee 1992). The three generations seemed to posses this trait which highly influenced their strategic decisions. In figure (5.2) several critical incidents of long-term vision and intuition traits of the family members are demonstrated. For example, Sam's vision of dominating the U.S market was observed and documented. His vision that his two sons would continue on his path and develop an empire was also observed. Edgar Sr. on the other hand, envisioned Seagram as a diversified company rather than just a distilling company and went on to achieve his vision by pursuing a pattern of diversification strategy. Edgar Jr. had a clear vision of Seagram as an entertainment company as much as it is a beverage company .

Intuitive behavior was also observed in the strategic decisions made by the three generations over a long period of time. It is widely believed that entrepreneurs rely to a large extent on intuition or "gut feeling". Entrepreneurs were said to make decisions based on a blend of facts and gut feelings. Gut feeling reflect the entrepreneur's vast experience in business and in a specific industry in particular. In a number of research studies, Mintzberg (1982) revealed the intuitive nature of strategic decision in entrepreneurial firms. Other studies (Dean, Mihalasky, Ostrander and Schroeder, 1974; Drucker 1973; Kets de Vries, 1977) also suggest that a large percentage of entrepreneurs rely on their intuitive behavior in making strategic decisions. Fig (5.2) presents examples of intuitive behavior demonstrated by the family members that influences the strategic decision making. For example, Sam's intuitive behavior towards prohibition. Knowing that it would not last , he decided to stock and age his whiskey to dominate the U.S. market. Other intuitive behaviors are demonstrated in figure (5.2).

Innovation is another prevalent trait associated with entrepreneurs. They are able to conceptualize their belief and ideas, find solutions to technical problems and deliver to the market a product or service that is economically viable (Schelles, McGillis and Morrison, 1992). The three Bronfmans constantly introduced the company into new industries. At times they were ahead of their competitors by coming up with new marketing and manufacturing ideas or simply just entering new industries. As shown in figure (5.3), Sam introduced light whiskey, an integrative method of production and a two-way street policy. As for Edgar Sr. and Edgar Jr., they introduced innovative methods of management through the company. They associated with new industries and earned a reputation of being a creative company.

McClelland (1989), need for achievement and risk-taking propensity were described in the literature as the most distinguishing traits of entrepreneur. High need for achievement indicates a desire to set ones own goals and objectives and carry them out (McCllelland, 1989). The level and intensity of acquisitions indicate a high level of achievement. As shown in the acquisition and purchase figure (5.4) Sam was able to make over 39 acquisition and diversification strategies, Edgar Sr. made over 37 acquisition and diversification strategies and Edgar Jr. until recently made over 45 acquisitions, purchases and diversification strategies. From the inception of the company in 1928 till the present day the net sales and assets have been increasing, showing no sign of consolidation as shown in the net sales and net assets figures (5.5 & 5.6). This is an indication of high need of achievement and high risk-taking exhibited by the three generations.

In terms, of risk-taking propensity, many entrepreneurs were reported to attribute success in business to their ability to take a calculated risk (Collins and Moore, 1964; Mancuso, 1977). Mintzberg's and Water's (1982) study " Tracking strategy in an

Entrepreneurial Firm ", provides an interesting description of Sam Steinberg-entrepreneur and founder of a large family firm in Montreal. The study describes the Sam calculated risk approach to strategic decisions:

"yet the entrepreneur protects himself in his bold action, controls it, for successful entrepreneurship is not equivalent to foolhardiness. As noted, earlier periods of sprinting were used to ensure that the organization remained viable. In addition, with a few exceptions that were to prove significant, Sam Stienberg pursued what can be called a "test-the-water" approach, always sensing an environment with minor probes before plunging in " (Mintzberg and Water, 1982).

The risk-taking propensity is evident in the Bronfman's family in two ways: (1) the large number of strategic decisions made by each generation as shown in the acquisition and purchase figure (5.4), and (2) the number of unrelated diversification strategies pursued including decisions to enter the oil, chemicals, hotels and the entertainment industries as demonstrated in the diversification figure (5.7).

The high level of unrelated diversification as well as the strategic decision to go international as shown in Fig (5.7 & 5.8), demonstrate a high degree of tolerance for ambiguity a trait reported to be associated with entrepreneurial characteristics. Figures (5.1 to 5.8) depicts how the entrepreneurial traits influenced the strategic decisions of the three generations.

(b) Entrepreneurial Mode

The present study suggests that the family business is still in the entrepreneurial mode described by Mintzberg (1982). Ibrahim and Kelly's (1986) typology proposed that prospector organizations and those following an explosive growth strategy through mergers and acquisitions are often managed by an entrepreneurial leadership style. This has been clearly observed in the present study. Strategic decisions made by each generation seem to follow a pattern of aggressive growth. This is evident from the high intensity of acquisitions and diversification strategies pursued by each successor (Fig. 5.4 & 5.7). While one would expect the founder stage to be more entrepreneurial and thus exhibit aggressive growth, than the second and third generation which usually tend to be more of a consolidation strategy, this, however was not the case. From the inception of the company in 1928 till the present day the net sales and assets have been increasing, showing no sign of consolidation (fig. 5.5 & 5.6). This is an indication of an aggressive growth. The three generations exhibited strong entrepreneurial behavior. This finding is intriguing and may be attributed to a number of factors that seem to play a significant role in family firms:

(1) Role Model

Earlier research reported that 75 % of entrepreneurs tend to come from families of an entrepreneurial background. A significant number of entrepreneurs come from families where entrepreneurship is seen as a desirable career. Each of the three Bronfmans were raised in such an environment which seem to be conducive to fostering some of the traits outlined above. An ability to act independently, to think creatively and intuitively, to accept risk can all be developed from early childhood onwards. This study suggests that role-modeling could influence the strategic decisions taken by the family members. Each generation tries to surpass the next generation. Fig. (5.9) includes several quotations by family members about the family. Each member involved in the business is proud to be associated with the company and highly appreciates the accomplishments of his precessor. This present research suggests that " Role Modeling " is possibly a factor used as a source of motivation by the successor to accomplish as much as the earlier generation if not more.

(2) Intensive Grooming

The intensive grooming of the successor tend to influence the strategic decision. The literature suggests that inclusion of off spring in the family business includes proper mentoring and training to prepare the next generation for its future leadership role (Ibrahim and Ellis, 1994; Schein, 1983; Levinson, 1971). Inclusion of the off spring in the formulation of corporate mission, vision and strategy is essential (Churchill and Hatten, 1987). The present study found that the involvement and level of strategic decisions made by the older generation seems to decrease sometime prior to succession to allow more involvement of the successor as shown in the grooming the offspring figure (5.10).

However, these patterns seem to have led to a successor following the same type of strategic direction of the predecessor. In other words, cloning the father might provide a powerful explanation of survival and growth of family forms. It seems that only those firms that preserve the entrepreneurial traits of the founder are able to continue and grow. In the case of the Bronfman family, Sam involved Edgar Sr. in the strategic decisions. As Edgar advanced up the corporate ladder his strategic decisions increased in number and importance while Sam gradually limited his involvement. Similarly, Edgar Sr. involved Edgar Jr. in the strategic decisions. As Edgar Jr. ascended to the top, Edgar Sr. limited his involvement allowing his son's strategic decisions to increase in number and importance. Figure (5.11) present a few critical incidents of the grooming the offspring in respect to strategic decision making. Perhaps by involving the offspring in the strategic decisions process at an early age, the offspring tends to exhibit the same style and strategic thinking of the older generation. This study seems to support this finding because of the similar growth strategies, the high rate of acquisitions and the style of growth pursued by each generation.

(C) Family Involvement In The Strategic Decisions

The present study suggest that strategic decisions in the family firm is influenced by the involvement of other family members. Sibling's involvement were documented in the study. For example Harry, Abe and Allan's involvement in several strategic decisions such as the initiation of Seagram. Allan played an instrumental role negotiating and traveled along with Sam in business trips. Charles also played a critical role in several strategic decisions such as removing brands and introducing new ones. Further, Charles played a key role in managing the House of Seagram-The Canadian operations. Samuel II another sibling that of Edgar Jr., was instrumental in a number of strategic decisions to acquire and divest companies in the wine business. Figure (5.12) presents examples of some of the leader's siblings' involvement in the strategic decisions in each generation.

(d) Family Consideration And Interest

Family consideration and interest seems to affect the strategic decision making. This study supports earlier findings by Ibrahim and Dumas (1995) that family consideration and interest seem to influence the strategic decisions making process. For example, the strategic decision to diversify in the entertainment business (Time Warner and MCA Inc.) by Edgar Jr. was to accommodate Edgar Jr.'s interest in the entertainment field. Further, the decision to structure the company under Edgar Sr.'s leadership to accommodate Charles interest to remain in Montreal under less stressful situations. The design of the Seagram building in New York by Phyllis Lambert is another evidence of taking family interest in consideration.

Studies have found that entrepreneurs' and top managements' values and preferences influence the strategic decision (Montanari, 1978; Miller and Toulouse, 1986; Ibrahim, 1990,1992; Porter, 1991; Hill and Tyler, 1991). Indeed, owners and managers values were found to have enormous impact on corporate decisions, strategic choices and management practice (Guth and Tauguiri, 1965; Andrews 1980; Freeman,Gilbert and Hartman, 1988; Posner and Schnidt 1992). For example, Sam's dislike of vodka prevented Seagram from producing vodka for several years and enjoying the huge profits of the high popular drink. Edgar Sr.'s obsession with marketing, made Seagram purchase several distribution and wholesale companies. Another example is Edgar Jr.'s preference of high quality products. He restructured the wine and spirits division of Seagram focusing on Premium brands. He wanted to identify Seagram products as top quality beverages.

II. SUCCESSION

Not many family firms survive beyond the first and second generation, but perhaps none is more lethal than the problem of succession. Many family firms pay little attention to planning for succession (Handler, 1990). Lack of proper planning for succession could lead to disastrous situations or what Danco (1992) called "Corporate Euthancia ", the death of firm. The present study suggests that the succession process tend to be planned and orderly as demonstrated in figure (5.16). Rivalry between siblings is minimal and family contenders for the successor role is minimized. This seems to be due to a number of factors:

(a) Two Family Members Per Generation

Only those family members committed to the business were involved. There is an unwritten tradition of allowing two family members from each generation to be involved in the business. This has helped to minimize conflict and rivalry and to narrow down the contenders for the successor role, as presented in family involvement figure (5.13). In the present research this was not a haphazard approach but a conscious decision that started very early in the family. In the first generation, the four brothers were reduced to only two, Sam and Allan. The following generation, Edgar and Charles were admitted where as their cousins , Peter and Edward were shut out and forced to sell their shares. The present generation, Sam II and Edgar Jr. are the only Bronfmans involved in the family business blocking any chance for their brothers, sisters and cousins of obtaining a job with Seagram.

The two family members per generation rule has allowed the Bronfman family to keep the ownership stable amongst the uninvolved family by limiting family conflict. The two rule also allows minimal conflict and rivalry between the two family members involved in the family business leading to a smooth succession and role clarity.

(b) Grooming The Successor

Research studies reported that one of the important steps of an effective succession process is preparing and mentoring the offspring (Levinson, 1971; Schein, 1983). A family has to prepare the offspring to assume their future roles at a very early age before and after joining the business. Studies suggest that inclusion of the offspring into a reasonable position in the family firm is critical to an effective succession process (Churchill and Hatten, 1987). This approach helps to promote interest and nourish commitment at an early age. In the present study, the family business seems to have adopted a unique but similar approach to groom the successor early in the process. At an early age, the offspring become involved in the business. They start at the very bottom of the corporate ladder and work their way up. For example, Edgar started as a junior in Sam's office where as Edgar Jr. started as assistant to the chief operating officer, both trying to gain insightful and invaluable knowledge of the business. They work closely with the earlier Bronfman generation, learning the necessary skills and gaining familiarity with different aspects of the business.

Each generation involves the offspring in the management and the strategic decision making of the firm at an early period. As the offspring's career grows in the firm more responsibilities are delegated. The strategic decisions also increase in number and importance. The earlier generation starts to gradually withdraw limiting their role while allowing the offspring to grow (fig. 5.10).

The successor is chosen by the family leaders at an early period during the grooming process. This method seems to decrease the level of rivalry and conflict between the offspring. One offspring is groomed to eventually lead while the other is groomed to assist and contribute. For example, Sam grooming his son Edgar at an early age with no resistance from Charles. Also seen in Edgar Sr.'s grooming of Edgar Jr. with minimal rivalry from Samuel II.

(c) Communication

The communication level seems to be strong among the family members involved in the business. When the offspring joins the business, they are constantly guided and mentored. Even when an offspring assumes leadership the late successor remains as a consultant or advisor. For example in figure (5.13), Sam acting as a consultant to Edgar in the 1960's and Sam communicating to his offspring that they would eventually lead Seagram. The positions held by the offspring were in different locations and so they constantly communicated with one another. For example, Edgar was in New York while Charles remained in Montreal communicating constantly with one another.

(d) Ownership Control:

Ownership structure in this company seems to have minimized the number of contender and level of conflict. For example in the first generation, Sam had more shares than the rest of the family and was able to limit any threat of entry or deep involvement in the business. With Sam's Seagram shares almost twice as much as Allan's, he was able to pass a resolution barring Allan's children from working at Seagram. Similarly, Edgar's shares are larger than Charles as presented in the ownership figure (5.15).

CONCLUSION

The present research was intrigued by the low survival rate of family firms. Therefore it is not surprising to find that only 13 % of successful family business last through the third generation, while less than two-thirds survive the second generation, and fewer than 5 % of all businesses started actually become family businesses through appointment of a successor from the next generation (Blotnick, 1984; Ward, 1987). The present research seem to suggest a number of factors contributing to success and survival of family firms.

(a) Well Planned Succession

Research supports that a healthy succession is one that is well planned and in which family and non-family members contribute to the process of selecting a successor (Barnes and Hershon, 1976). Levinson (1971) and Schein (1983) found that proper planning is critical to an effective succession process. In the present study the family included the offspring in the business at an early age. The offspring were mentored and trained to the future leadership role. This included involvement in the decision making process. Figure (5.11) illustrates a number of incidents associated with grooming the offspring for strategic decision making. As the young family member climbs the corporate ladder the strategic decisions increase in number and importance. Furthermore, the transfer of power is an evolutionary process where the departing family member acts as a mentor or consultant for a number of years to the eventual successor before the actual succession process takes place as shown in the succession figure (5.16).

(b) Early Grooming Of The Offspring

Grooming the offspring at an early age seems to be a critical factor in the survival of family firms. In the present research, the Bronfmans always involved the offspring in the business at an early age resulting in successful transitional periods. Once the successor exhibits leadership and entrepreneurial qualities, he/she then allowed to advance in the corporate ladder, and the responsibilities and duties increases gradually. The departing family member allows enough space to the offspring to control as shown in (Fig.5.10). For example, by 1963 Sam acted as a consultant to Edgar Sr. and Charles. Similarly, Edgar Sr. always encouraged Edgar Jr. to go along with his instincts and by 1990, he started to limit his involvement in the company allowing his son to establish himself.

(c) Role Model

The Bronfman family has a unique pattern of enhancing and developing entrepreneurial characteristics in the next generation. By developing these entrepreneurial characteristics in the offspring, the company seems to continue in the same path of growth developed by the founder. The family makes sure that the successor is self-confident, creative, dominant, risk-taker and other entrepreneurial traits to maintain a healthy growth strategy.

The family members (involved or non-involved) have a lot of pride in their family name. This is a strong motivation factor for the family members involved to succeed and build on what the previous generation created (fig.5.9). Each generation try's to surpass the earlier generation. For example, Edgar Jr. keeps a quote written by his grandfather on his desk for motivation.

(d) Ownership Control

Ownership may be used successfully to reduce the conflict that arises during succession and limit the number of contenders of the job. Thus, unwelcome family members could be prevented from entering the business. (fig.5.15). For example , Sam shutting out Allan's offspring from joining the company. Also Edgar Sr. allowing only his two elder sons from entering blocking any chance for his other children and nephews. The larger the ownership percentage of the family members involved in the business the more they can limit the family enrollment into the family business and also prevent un-welcomed members from entering.

(e) Few Family Members Involved In The Business

Only few members were involved in the business. The present research suggests that the limited number of family members involved in the business and this high level of commitment were a major reason for the minimal level of conflict among family members and the survival of this business. In the case of the Bronfmans and The Seagram Company Limited, the family followed an unwritten tradition of allowing two family members per generation to join the company. This allowed conflict control, ownership control and most importantly successful successions. Perhaps this rule could be used or duplicated to other family businesses.

(f) Communication

The level of communication between the family members was strong. The communication level maintained a strong tie between the family members and smoothed the succession process. The present study suggests that constant communication between the family members involved in the business is a major reason for successful successions.

Research Implications and Future Directions

The present research offers researchers and family business practitioners a realistic explanation of the impact of family involvement on the business. The present study suggests that the above mentioned factors play a significant role in the success and survival of family firms.

It is hoped that the present single case study in a largely unexplored area will provide some insight toward further research in factors contributing to success in family firms. However, several limitations of the present study must be noted. First, the present research has focused on family issues. Other issues contributing to strategy formulation and or success of the business such as the internal and external capabilities of the organization were not the subject of this research. Second, since the present research is a case study , care must be exercised in the interpretation of the findings discussed above especially as one attempts to generalize these to broader populations. Future research may consider to move from a single-case study to cross case analysis. The objective is to enhance the external validity. Indeed, investigating multiple actors in multiple setting increases generalizability of the research findings (Firestone and Herriott, 1983).

References

Alcorn, P.B. (1982). Success and survival in the Family-Owned Business, New York: McGraw-Hill Book Company.

Andrews, K. (1980). The Concept of Corporate Strategy. Homewood, Ill: Irwin.

Ansoff, H. I. (1984). Implanting Strategic Management. Prentice Hall, Englewood Cliffs, New Jersey.

Argyris, C. (1985). Strategy Change and Defensive Routines. Marshfield, Massachusetts: Pitnam Publishing.

Auletta, Ken. (1994). *Rising Son*. New Yorker. 6 June, p. 56-68.

Barnes, L. (1981). *Seagram: Its cash hoard is spent, and its future is up in the air.* Business Week, 21 December.

Barnes, L.B., & Hershon, S.A. (1976). *Transferring power in the family business.* Harvard Business Review, 54 (4), p. 105-114.

Bates, J. (1995). *Mr. Bronfman, Get ready for your extreme close-up.* Los Angeles Times. 30 July.

Beckhard, R., & Dyer, W.G., Jr. (1983). *Managing continuity in the family-owned business.* Organizational Dynamics, 12 (1), p. 5-12.

Best, P. (1987). *A dynasty divided.* Maclean's. 18 May, p. 41.

Blotnick, S. (1984). *The Case of the Reluctant Heirs.* Forbes, p.134.

Booth, Amy. (1976). *The Bronfmans: Driving, hugely monied-and mostly very quitely.* Financial Post, 13 November, p.44-46.

Booth, Amy. (1976). *The Bronfmans: A liquid legacy for the lineage.* Financial Post, 20 November, p.44-46.

Bower, J.L & Doz, Y. (1979). Strategy formulation: A social & political process, in Strategic Management: A new view of Business Policy & Planning, eds. C.W. Hofer & Schendal, Little Brown and Company, Boston Massachusetts.

Brockhaus, R.H.Sr. (1994). *Entrepreneurship & Family business research: Comparisons, critique and lessons.* Entrepreneurship: Theory & Practice, 19, (1), p. 25-38.

Bronfman Dynasty. (1995). Documentary Movie.

Bronfman, Edagr Miles. (1969). *Name Your Brand-In Any Market Of The World.* Columbia Journal of World Business, IV, November-December, p.31-35

Bronfman, Harry. (1937). *The Story of the Bronfman Family.* unpub.memoir.

Bronfman, Saidye Rosner. (1982). My Sam: A Memoir by his Wife. Toronto: n.p.

Bronfman, Saidye Rosner. (1986). *Recollections of My Life.* Montreal: n.p.

Bronfman, Samuel. (1970). From Little Acorns: The Story of Distillers Corporation-Seagrams Limited. Montreal: DC-SL.

Bronfman, Samuel. & DC-SL. (1971). Samuel Bronfman. Montreal: DC-SL.

Buchholz, B.B., & Crane, M. (1989). Corporate bloodlines: The future of the family firm, Carol Publishing Group.

Campbell, D.T (1975). *Degrees of freedom and case study.* Comparative Political Studies,8, 178-193.

Carter, E. (1971). *The behavioral theory of the firm and top level corporate decisions.* Administrative Science Quarterly, 16, p. 413-428.

Castanias, R.P & Helfat, C.E. (1991). *Managerial resources and rents.* Journal of Management, 17, p.155-171.

Chaffee, E. E. (1985). *Three models of strategy.* Academy of Management Review, 10 (1), p.89-98.

Chandler, A.D (1962). Strategy and Structure: Chapters in the history of the industrial enterprise. Cambridge, Mass.: MIT Press.

Church, George J. (1994). *Dress Rehearsal or Opening Night ?* Time. 16 May, p.42- 44.

Churchill, N.C., & Hatten, K.J. (1987). *Non-market based transfers of wealth and power: A research framework for family businesses.* American Journal of Small Business, 11 (3), p. 51-64.

Collins, O.F., & Moore, D. G. (1964). The enterprising man. East Lansy: Michigan state University.

Conger, J., & Kanungo, N. (1988). Charismatic Leadership. San Francisco: Jossey-Bass.

Connelly, F. M., & Clandinin, D. J. (1990). *Stories of experience and narrative inquiry.* Educational Researcher, 19 (5), 2-14.

Cooper, D. R. & Emory, C. W. (1995). Business Research Methods. Irwin Inc.

Cyert, R.M. & March, J.G. (1963). A behavioral Theory of the firm. Prentice Hall, Englewood Cliffs: New Jersey.

Danco, L. (1980). Inside the Family Business. Cleveland, Ohio: The University Press.

Danco, L. (1982). Beyond Survival. A Business Owner's Guide for Successs, Cleveland: The Center for Family Business, The University Press, Inc.

Danco, L. (1992). Inside the Family Business. Cleveland: The Center for Family Business, The University Press, Inc.

Davis, D. & Cosenza, R. (1988). Business research for decision making. Boston: PWS-Kent Publishing company.

Dean, D., Mihalasky, J., Ostrander, S. & Schroeder, L. (1974) Executive ESP. Englewood Cliffs, N.J.: Prentice-Hall.

Denzin, N.K. (1978). The Research Act. New York: McGraw-Hill.

Donnelley, R. (1964). *The Family Business.* Harvard Business Review. July-Aug, p. 83-105.

Drucker, P.F. (1973). Management: Tasks, Responsibilities, Practices. New York. Harper & Row Publishers.

Dyer, W.G., Jr. (1986). Cultural change in family firms: Anticipating and managing business and family transitions. San Francisco: Jossey-Bass.

Eisenhardt, K.M. (1989). *Making fast strategic decisions in high velocity environments.* Academy of Managemnt Journal, 32, p. 543-576.

Fife, Sandy. (1987). *Bronfman holding firm selling off assets.* The Gazette, 28 April.

Firestone, W.A, & Herriott, R.E (1983). *The formalization of qualitative research: An adaptation of " soft " science to the policy world.* Evaluation Review, 7, 437-466.

Flick, U. (1992). *Triangulation Revisited: Strategy of Validation or Alternative ?* Journal for the Thoery of Social Behavior, 22, 175-198.

Fredrickson, J. W. (1984). *The comprehensiveness of strategic decision process: Extensions observations, future directions.* Academy of Management Journal, 27, p. 445-466.

Fredrickson, J. W. (1985). *Effects of decision motive and organizational performance level on strategic decision processes.* Academy of Mangement Journal, 28, p. 821-843.

Fredrickson, J.W & Mitchell, T.R. (1984). *Strategic decision processes: Comprehensiveness and Performance in an industry with an unstable environment.* Academy of Management Journal, 27, 399-423.

Freeman, R.E., Gilbert, D.R. & Hartman, E. (1988). *Values and the foundations of strategic management.* Journal of Business Ethics, Vol. 7, p.821-834.

Fuhrman, P. (1987). *Charles Bronfman: The Other Bronfman.* Forbes, 5 October, p.161.

Gibbens, R. (1993). *Bronfmans sell Seagram shares.* Financial Times, 7 December, p.25.

Gibson, Paul. (1981). *The Battling Bronfmans.* Forbes, 2 February, p.42-43.

Gilpin N. K. & Schmitt, E. (1986). *Edgar Bronfman Jr. in line at Seagram.* The New York Times. 27 February. p. 2.

Gittins, Suzan. (1995). Behind Closed Doors. Scarborough: Prentice Hall Canada Inc.

Glaser, B.G., & Strauss, A. L. (1967). The discovery of grounded theory: Strategies for qualitative research. Chicago: Aldine

Goldfarb, Alan. (1991). *Sam Bronfman works quitely to win over Skeptical Napa Valley Vintners.* San Francisco Business Times, 21 June, p.17.

Guth, W.D. & Taguiri, R. (1965). *Personal Values and corporate strategy.* Harvard Business Review, 27, p.25-41.

Hambrick, D.C. & Mason, P.A. (1984). *Upper echelons: The organization as a reflection of its top managers.* Academy of Mangement Review, 9, p.193-206.

Handler, W.C. (1990). *Succession in Family Firms: A mutual Role Adjustment Between Entrepreneur and Next Generation Family Members.* Entrepreneurship: Theory and Practice, Fall.

Handler, W.C. & Kram, K.E. (1988). *Succession in family firms: The problem of resistance.* Family Business Review, 1 (4), p.361-381.

Harris, D., & Maritnez, J. & Ward, J. (1994). *Is Strategy different for the Family-Owned business ?* Family Business Review, 7, (2), p.159-174.

Hart, S. L. (1992). *An integrative framework for strategy making processes.* Academy of Mangement Review, 17, p.327-351.

Hass, Nancy. (1994). *Is Edgar Jr. Toying With Time Warner ?* Newsweek, 7 February, p.31.

Hax, A. C. (1990). *Redefining the concept of strategy and the strategy formation process.* Strategy & Leadership, 18, (3), p.34

Hax, A. C. & Majluf, N. S. (1984b). *The Corporate Strategic Planning Process.* Interfaces, 14 (1), p.47-60.

Hax, A. C., & Majluf, N. S. (1988). *The Concept of Strategy and the Strategy Formation Process.* Interfaces, 18, (3), p. 99-109.

Heinrich, Jeff. (1994). *Seagram crowns Edgar Jr. as CEO.* The Gazette, 2 June.

Herriott, R. E. & Firestone, W. A. (1983). *Multisite qualitative policy research: Optimizing description and generalizability.* Educational Researcher, 12 (2), 14-19.

Hershon, S.A. (1975). *The problem of Management Succession in Family Business.* Unpublished doctoral dissertation. Harvard Graduate School of Business Administration.

Hill, M .A., & Tyler, B. B. (1991). *Strategic decision models: Integrating different perspectives.* Strategic Management Journal, 12, p.327-351.

Hofer, C.W. (1975). *Toward a Contingency theory of business strategy.* Academy of Management Journal, 18, p.784-810

Hofer, C.W. & Schendel, D. (1978). Strategy formulation: Analytical concepts. St. Paul, MN: West Publishing

Hollander, B.S. (1983). *Family owned business as a system: A case study of the interaction between family, task and market components.* University Microfilms International, p.1-11.

Hollander, B.S. & Elman, N.S. (1988). *Family-owned Business: An emerging field of inquiry.* Family Business Review, 1, p.145-164.

Hornaday, J. & Aboud, J. (1971). *Characteristics of Successful Entrepreneurs*. Personal Psychology, 24, p.141-153.

Hoy, F. & Verser, T.G. (1994). *Emerging business, emerging field: Entrepreneurship and the Family Firm*. Entrepreneurship: Theory & Practice, 19, (1), p. 9-23

Huberman, A.M., & Miles, M.B (1985). *Assessing Local causality in qualitative research.* In D.N. Berg & K.K Smith (eds.), exploring clinical methods for social research (pp.351-381). New-bury Park, CA: Sage.

Ibrahim, A.B. & Kelly, J. (1986). *Leadership at the policy level.* Journal of General Management, 11, 3, p. 36-45.

Ibrahim, A. B. & Dumas, C. (1995). *Strategic Decision Making in Family Firms: An Empirical investigation*. Unpub.

Ibrahim, A.B. & Ellis, W. (1990). Entrepreneurship and small business management: Text, readings and cases. Iowa: Kendall/Hunt Publishing Company.

Ibrahim, A.B. & Ellis, W. (1994). Family Business: Concepts and practice. Iowa: Kendall/Hunt Publishing Company.

Ibrahim, A.B. & Goodwin, J. R. (1986). *Perceived Causes of Success in Small Business.* American Journal of Small Business, 11 (2), p. 41-50.

Jemison, D.B. (1981). *Organizational versus environmental sources of influence in strategic decision making*. Strategic Management Journal, 2, p. 77-89.

Katz, D. & Kahn, R.L. (1978). The social psychology of organizations. New York: Wiley.

Kee, C. (1992). *Personality Traits of Entrepreneurs: A Test on the Locals at the Singapore International Monetary Exchange*. Journal of Small Business and Entrepreneurship, January.

Keefe, Robert. (1996). *Tropicana goes big-league*. St. Petersburg Times, 28 October, p. 10.

Kets de Vries, M. (1977). *The Entrepreneurial Personality: A person at the Cross Roads.* Journal of Management Studies, 14, p. 34-57.

Lansberg, I. (1983). *Managing human resources in family firms: The problem of institutional overlap*. Organizational Dynamics, Summer, p.39-46.

Lansberg, I. (1988). *Establishing & managing boards of directors*. Family Business Review,1, (1).

Leinster, Colin. (1986). *The Second Son is Heir at Seagram.*.Fortune. March, p.28-31.

Leonard-Barton, D. (1990). *A dual methodology for case studies: Synergistic use of a longitudinal single site with replicated multiple sites*. Organization Science, 1, p.248-266.

Levinson, H. (1971). *Conflicts that plague the family business*. Harvard Business Review, 49(2), p. 90-98.

Lietout, P. (1988). *Dynasty touch flavors battle for French Brandy maker Martell*. The Reuter Library Report, 8 January.

Litz, R.A. (1995). *The Family Business: Toward definitional clarity*. Academy of Management Journal, Best paper proceedings, p.100-104

LoDico, J. (1994). *Edgar Bronfman Jr.* Newsmakers 1994, (4).

Loius, A. M. (1979). *Sam Bronfman's Nephews Make It on Their Own*. Fortune. 22 October.

Lyndbloom, C.E. (1959). *The Science of muddling through.* Public Administrative Review, 19,p. 79-88.

Mancuso, J. R. (1977). Fun 'N' Guts. The Entrepreneur's Philosophy. Mass.: Addison Wesley.

Marrus, Michael. R. (1991). Mr. Sam: The Life and Times of Samuel Bronfman. New York: Viking Penguin.

Martin, D. (1986). The 'Poor' Bronfmans Billions. The New York Times. 9 November.

McClelland, D. (1987). *Characteristics of Successful Entrepreneurs*. The Journal of Creative Behavior, 21 (3), p.219-233.

McClelland, D. (1989). Human Motivation. Glenview, Il.: Scott Foresman.

Miles, M.B. & Huberman, A.M. (1994). Qualitative data Analysis: an expanded sourcebook. 2 ed., Thousand Oaks: Sage Publications.

Miller, D., Droge, C. & Toulouse, J. M. (1988). *Strategic process and content as mediators between organizational context and structure*. Academy of Management Journal, 31, p. 544-569.

Miller, D., & Toulouse, J.M. (1986). *Chief executive personality and corporate strategy and structure in small firms.* Mangement Science, 32, p. 1389-1409.

Mintzberg, H. (1978). *Patterns in Strategy Formation*. Management Science, 24 (9), p.934-948.

Mintzberg, H. (1980). The nature of Managerial Work. Englewood Cliffs, N.J.: Prentice-Hall.

Mintzberg, H. & Waters, J. (1982). *Tracking Strategy in an Entrepreneurial Firm.* Academy of Management Journal, 25, (3), p. 465-494.

Mintzberg, H. & Waters, J. (1985). *Of Strategy delivered & emergent*. Strategic Management Journal, 6, (3), p.257-272.

Montanari, J.R. (1978). *Managerial discretion: An expanded model of organizational choice.* Academy of Management Review, 3, p. 231-241.

Narayanan, V.K. & Fahey, L. (1982). *The micro-politics of strategy formulation.* Academy of Management Review, 7, p. 25-34.

Newman, P. C. (1978). Bronfman Dynasty: The Rothschilds of the New World. McClelland & Stewart: Toronto

Newman, W.A., & Logan, J.P. (1971). Strategy, Policy and Central Management, Southwestern Publications, Cincinnati, Ohio.

Norman, J. R. (1991). *Turning up the heat at Du Pont.* Forbes. 5 August.

Pascarella, P. & Frohnan, M.A. (1990). The purpose driven organization. San Francisco: Jossey-Bass.

Pinfield, L.T. (1986). *A field evaluation of perspectives on organizational decision making.* Administrative Science Quarterly, 31, 365-388.

Porter, M.E. (1980). Competitive Strategy: Techniques for Analyzing Industries and Competitors. New York: Free Press.

Porter, M.E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance, New York: The Free Press.

Porter, M.E. (1987). *From Competitive advantage to Corporate Strategy.* Harvard Business Review, 65 (3), p43-59.

Porter, M.E. (1991). *Towards a dynamic theory of strategy.* Strategic Management Journal, 12, p.95-117.

Posner, B.Z. & Scmidt, W.H. (1992). *The values of American Managers then and now.* Management Review, 68 (3), 79-93.

Provan, K.G. (1989). *Environmental, department power, and strategic decision making in organizations: A proposed integration.* Journal of Management, 15, p.21-34.

Quinn, J.B. (1978). *Strategic change: Logical incrementalism.* Sloan Management Review, 20,(1), p. 7-21.

Quinn, J.B. (1980). Strategies for change: Logical incrementalism. Homewood, Ill: Irwin.

Quinn, J.B. (1980). *Managing Strategic change.* Sloan Management Review, 21, (4), p.3-17.

Rajagopalan, N., Rasheed, Abdul M. A., Datta, D.K. (1993). *Strategic decision processes; critical review and future directions.* Journal of Management, 19, (2), p.349.

Remnick, David. (1986). *Bronfman and the Search for the Past; Seagrams President, His JewishCrusade and the Waldheim Question.* The Washington Post. 2 April.

Rosenblatt, P.C., De Mik, L., Anderson, R.M. and Johnson, P.A. (1985). The Family in Business. San Francisco: Jossey-Bass Inc.

Rothman, A. & Maremont, Mark. (1989). *The Maverick Boss At Seagram.* Business Week. 18 December, p.90-98.

Sank, L. (1974). *Effective and Ineffective Managerial Traits Obtained as Naturalistic Descriptions from Executive members of a super Corporation.* Personnel Psychology, 27, p.423-434.

Schatz, R. (1994). *Time Warner Watch on Bronfman.* Newsday, 1 June.

Schein, E. (1983). *The role of the Founder in Creating Organizational Culture.* Organizational Dynamics, Summer.

Schells, B., McGillis, S. & Morrison, K. (1992). *Type 'A' Traits, Innovativeness, Cognitive Complexity, and Attitudinal Predictors Affecting Franchisees' Job-Involvement Levels.* Journal of Small Business Entrepreneurship, 9 (3).

Schruger, Victor. (1989). *The Maverick Boss at Seagram.* Business Week, 18 December, p.90-98.

Seagram in the Chips. (1948). Fortune. September.

Shrivastava, P. & Grant, J. (1985). Empirically derived models of strategic decision making processes. Strategic Management Journal, 6, p. 97-113.

Siekman, Philip. (1966). *The Bronfmans: An Instinct for Dynasty*. Fortune, November, p.146-210.

Siekman, Philip. (1966). *The Bronfmans: An Instinct for Dynasty*. Fortune, December, p.177-210.

Simon, B. (1994). *Bronfman plays for Time against a critical audience*. Financial Times, 3 June.

Simon, H.A. (1976). Administrative Behavior: A study of Decision-Making Processes in Administrative Organizations. The Free Press: New York.

Singer, J. & Denho, C. (1992). *Strategic management planning for the successful family business*. Journal of Business and Entrepreneurship, 4 , (3), p. 97-113.

Sloan, A. (1993). *Movies, Booze and Eccentricity*. The Recorder, 14 June.

Stake, R.E (1978). *The case study method of social inquiry*. Educational Researcher,7 (2),5-8.

Stanley, T.L. & Khermouch, G. (1995). *Edgar Bronfman Jr; Seagram Company Limited*. Mediaweek, 38, (5), p.S82.

Stevenson, H., Roberts, M. and Grousbeck, H. (1989). New Busines Ventures and the Entrepreneur. 3rd. ed. Home-wood, IL: Irwin.

Stoufer, S.A. (1941). *Notes on the case-study and the unique case*. Sociometry, 4, 349 -357.

Swasy, A. (1988). *Seagram Company to buy Tropicana for $ 1.2 billion*. St. Petersburg Times, 11 March.

Terry, E. (1987). *Can the Bronfmans keep Seagram in the Family ?* Business Week, 1 June, p.60.

The Liquor industry's family style empire. (1962). Business Week. 20 October.

Van Maanen, J.V. (1979). Qualitative Methodology. Beverly Hills, CA: Sage.

Van Maanen, J.V. (1983). Qualitative Methodology. Beverly Hills, CA: Sage.

Vesper, K. (1980). New Venture Strategies. Englewood Cliffs, N.J.: Prentice-Hall, 1980.

Ward, J. (1987). Keeping the family business health: How to plan for continuing growth, profitability & family leadership. San Francisco: Jossey-Bass.

Ward, J. & Aronoff, C. (1990). *How much is too much family*. Nation's Business, 78 (3), p.71-72.

Ward, J. & Aronoff, C. (1994). *How successful business families get that way*. Nation's Business, 82, (9), p. 42-43.

Wayne, L. (1985). *Seagram puts its faith in chemicals*. The New York Times. 11 August.

What Bronfman wants at Seagram. Business Week, 27 April 1981, p.135-142.

Wood, Jim. (1994). *Manifest Destiny; He's young at heart and age. But Wine Mogul Sam Bronfman rules with wisdom*. The San Francisco Examiner. 2 October, p. M-10.

Wrapp, H.E. (1984). *Good mangers don't make policy decisions.* Harvard Business Review,62,4, p.8-21.

Yin, R.K. (1984). Case study research: Design and methods. Beverly Hills, CA: Sage.

Yin, R.K. (1989). Case study research: Design and Methods. Thousand Oaks: Sage Publications.

Zinn, L. & Flynn, J. (1995). *Edgar Jr.'s Not Excellent Ventures*. Business Week, 16 January, p.78.

Figure 5.1

Leadership

(Samuel Bronfman)

Critical Incidents	Sources	Validation
1) " In 1923, the Bronfman brothers unanimously agreed that Samuel would be their leader ".	• Annual Report 1971, p.22	• Documenta 1995
2) In 1924, Sam and not Harry was president of the family owned Distillers Corporation Limited. Later in 1933, after the breakup with the Scottish partners, Sam was the President and Allan was second in command.	• Marrus 1991, p117 • Bronfman, 1937 • Bronfman, 1970	• Newman 19 p.137-138 • Siekman, Nov.1966, p.149
3) At his death bed, Ekiel designated Sam to lead and keep the family together after witnessing his leadership skills in the early years as manager of the Bell Hotel.	• Siekman, Nov 1966, p.148	• Marrus 199 p.117 • Forbes 198 p.43 • Newman 19 p72-73
4) Sam introduced the family business into the liquor industry. He was the first brother to settle in Montreal where he delegated authority and decisions to other family members.	• Marrus 1991, p.64	• Newman 19 p.148 • Documenta 1995 • Bronfman, 1970, p.32
5) 1918-1923 : For much of the time during the mail-order business, Sam managed the entire business and his leadership was evident.	Newman 1978 p.86, 68-64	• Documenta 1995
6) **Sam's Lawyer** : " *His most distinguishing characteristic was the intensity of that drive , his persistence , the unquestioning and unquestioned devotion to his ultimate objective . In his thinking and in his actions , he embodied a unique blend of imagination, innovation and entrepreneurial energy*".	• Marrus 1991, p.456	

(Edgar Miles Bronfman)

Critical Incidents	Sources	Validation
1) Asked to be transferred to New York , where 90% of the business exists.	• Siekman , Dec.'66 p.198 • Company Records	• Newman, 19 p.180 • Marrus, p.39
2) In 1957 , Edgar confronted Sam that the time had come for him to be president of Joseph E. Seagram and Sons Inc. (the American wing of the business .) When his father thought he wasn't ready , he threatened to leave and go , if he thought the business was not good enough for him to lead.	• Newman, 1976 p.183	• Siekman, De p.200 • Marrus, 199
3) By 1957, he became President of the American operations and by 1963 he was leading the entire company.	• Company Records • Annual Report 1971	• Siekman. No • Church. May p.43 • Newman, 19 p.184
4) Under his leadership, Seagram was transforming into a more diversified company.	• Church, May 1994 p.43 • Company records	• Business We April 1981 p • Zinn & Flynn 1995

(Edgar Miles Bronfman Jr.)

Critical Citations	Sources	Validation
1) He would join the company on a condition that he would eventually run it, if he proved himself. He can't see himself working for someone else especially if he is successful.	• Auletta, 1994 p.60-61	• Leinster, Ma 1986
2) In the past 7 years (1989-1996), Seagram under the leadership of Edgar Jr. has altered the direction of the company into other profitable industries.	• Annual Reports	• LoDico, 199 • Auletta, 199
3) From 1982-84, Edgar Jr. led the European operations of Seagram where he increased sales 20 % and profits 200%.	• Company Records	• Rothman,. 19 • Leinster, 198

Figure 5.2

Long-term Vision and Intuition

(Samuel Bronfman)

Critical Incidents	Sources	Validation
1) "Sam had decided as early as 1928, that prohibition in the United States of America would eventually be repealed. He therefore planned, with uncanny foresight and in the face of great financial risk, to enter the U.S. market and to acquire and re-activate distilleries. When prohibition was repelled in 1933, his was the largest available stock of mellowed liquor".	• Bronfman, 1970, p.64-66 • Company records	• Siekman, No p.204 • Annual Repo • Booth, 1976
2) 1945: Mr.Sam laid the groundwork for the World Wide Marketing Re-Organization that he planned to set up, knowingly the need to expand after World War II . He later formed Seagram Overseas Corporation and Seagram Overseas Sales Company to coordinate the explosive growth Strategy that Seagram would eventually follow.	• Annual Reports	• Marrus, 1991 • Business Wee 1962 p.192
3) In the early 1940's Mr. Sam established plants and facilities in Jamaica and Puerto Rico. By 1948 Seagram was able to keep up with the increasing popularity of the drink and ahead of its competitors.	• Annual Reports • Company records	• Bronfman, 19 p.38,48,60. • Siekman, Nov p.204.
4) Sam invested into oil, The Texas Pacific & Frankfort Oil Company. Five to six years later the investment generated huge amounts of profits.	• Bronfman, 1970, p.79	• Marrus, 1991 • Booth, 1976
5) Sam's decision to form a partnership with DCL of Scotland in order for Seagram to be associated with reputable brands in the years ahead.	• Annual Report 1971 p.22 • Company records	• Bronfman, 19 p.32 • Newman 197 p.106. • Siekman, 196

(Edgar Miles Bronfman Sr.)

Critical Incidents	Sources	Validation
1) The sale of Texas Pacific Oil Company in 1980, when it was at its peak before it crashed a couple years later.	• Business Week, April 1981 p.135 • Annual Reports	• Auletta 1994 • Business We Dec.1981 p.
2) He removed Calvert Reserve, a major brand from the market because it slipped slightly with sales still at a reasonable 1.2 million cases. Instead of lightening the taste to go along with the market trend, he had a feeling that if he replaced the brand all together with a new name sales would increase. He introduced Calvert Extra and sales increased from 1.2 to 2 million cases.	• Newman 1978, p.183	• Bronfman, 1
3) Edgar Sr. envisioned Seagram as a diversified company and not only a beverage producer. Years later Seagram survived on the investments other than beverage.	• Church, May 1994 p.43	• Business We Dec.1981 p.
4) Edgar Sr. purchased Du Pont shares in 1981knowing that Seagram required a cash generating investment. By 1989, Du Pont shares constituted 82 % of total profits of Seagram. A far sighted decision that carried Seagram through very difficult times.	• Church, May 1994 p.44 • Annual Reports	• Rothman, 19 • New York T Aug. 1985 p • Zinn & Flyn p.7

(Edgar Miles Bronfman Jr.)

Critical Incidents	Sources	Validation
1) With the maturity of the alcoholic beverage segment, Edgar Jr. shifted Seagram into other promising industries e.g. Entertainment.	• Annual Reports • Company records	• Keefe, 1996 • LoDico, 199
2) The purchase of Martell (cognac producer) knowing that it would be a lucrative investment in the future. With opening of markets in Asia, Martell's sales were very impressive.	• Annual Reports • Rothman, 1989 p.91 •	• LoDico, 199 • The Reuter I Report, Jan.
3) The purchase of Time Warner, not expecting immediate returns but rather large returns in the long-run.	• Hass, 1994 • Annual Reports	• Stanley & Khermouch p.78

		• Church, 19
4) Edgar Jr. established Seagram in the beverage segment as a premium quality producer. Today, Seagram sells less but profits have increased.	• Company records	• Rothman, I p.93,96 • Zinn & Flyı p.78 • Annual Rep • Auletta, 19
5) Edgar Jr. set out to expand the wine cooler business. His instincts told him to hire an actor by the name Bruce Willis to do the advertisements. He consented his father whom greatly supported him and told him to follow his instincts. **Edgar Sr**. *"It was one of the great successes of all time, We went from NO. 5 to NO 1"*.	• Auletta, 1994, p.61	• Rothman, D p.93

Figure 5.3

Innovative

(Samuel Bronfman)

Critical Incidents	Sources	Validation
1) Sam was accumulating aged whiskey years before repeal in order to introduce blended whisky unlike his competitors whom sold directly from production. This aging process allowed his whiskey to develop a lightness in taste, that proved very profitable.	• Bronfman, 1970, p.66-67 • Company records	• Siekman, No p.204 • Annual Repo p.26-27 • Forbes, Feb. 43
2) Sam introduced an innovative two-way street policy. As Seagram grew internationally with several facilities abroad. Sam would encourage the production of a brand of Seagram in a particular country and export that product to another country. Then he would import a different product to the exporting country.	• Annual Reports • Company records	• Bronfman, 19 p.44
3) Sam diversified Seagram into new industries such as Oil and the Hotel business.	• Company records	• Booth, 1976 • Marrus 1991 • Bronfman, 19 p.79,39
4) Sam used an integrative method of production . Where he administered the production of the whiskey from production to marketing. Unlike other producers, where they all just administered the production phase.	• Bronfman, 1970p.79,39	• Annual Repor • Booth, 1976
5) Sam to brother Harry (1935) - According to Terence Robertson : *" We can't stand still , Harry . We have to progress , be in advance of progress".*	• Marrus, p.241	

(Edgar Miles Bronfman Sr.)

Critical Incidents	Sources	Validation
1) Edgar introduced modern methods of management in Seagram, replacing Sam's authoritative iron rule.	• Company records	• Business W 1981,p.139 • Newman, 1
2) He embarked on a very ambitious marketing plan. Edgar *"When they talk about marketing in Harvard School, I want them to mention Seagram first."*	• Business Week, 1981 p.139	• Newman, 1 p124

(Edgar Miles Bronfman Jr.)

Critical Incidents	Sources	Validation
1) Directing Seagram into new fields, such as entertainment (Time Warner & MCA Inc.) and non-alcoholic beverages such as juices and soda's (Tropicana & Dole).	• LoDico, 1994 • Company records	• Gazette, Ma
2) **Edgar Jr**. quoted saying:. " I reject the notion that business and creativity are mutually exclusive..... I think I've been a reasonably creative president of this company.... I don't lack for creative outlets ".	• LoDico, 1994	• Auletta, 199

Figure 5.4

Eight Decades of Growth

First Generation: Direction: Growth

Year	Country	Strategic Decision
1924	Canada	Formed Distillers Corporation Limited
1928	Canada	Acquired Joseph E. Seagram & Sons, Limited, founded in 1857, formed Distillers Corporation-Seagram Limited.
1933	Canada	Acquired the DCL holdings from DC-SL
	U.S.A.	Formed Joseph E. Seagram & Sons, Inc., and acquired Lawrence Indiana, distillery
1934	U.S.A.	Acquired Calvert distillery
1935	Scotland	Acquired Robert Brown Ltd. (Scotch Whiskey); subsequently cha name to Seagram Distillers Plc.
1937	U.S. A	Acquired Carstairs Bros. Distillery Co.
1941	U.S.A.	Acquired Wilson Distillery Co. and Hunter Distillery Inc.
1942	Canada	Acquired British Columbia Distillery Company Ltd.
1943	U.S.A.	Acquired Frankfort Distilling Company
		Acquired Paul Masson Vineyards (Wine)
1944	Jamaica	Formed Captain Morgan Rum Company
1946	Puerto Rico	Purchased a plant and a facility
1949	Scotland	Acquired Chivas Brothers Limited (Scotch Whisky)
1951	Canada	Edgar Sr. and Charles join Seagram; They were involved with sev strategic decisions during Sam's reign.
1952	France	Acquired G.H. Mumm & Cie and Perrier-Jouet S.A. (Champagne
1953	Canada	Acquired United Distillers Ltd.
	U.S.A.	Purchased Frankfort Oil Company
1954	France	Acquired Barton & Guestier S.A. (Wine)
	Jamaica	Acquired Fred L. Myers & Son (1879) Limited (Rum)
1955	Canada	Acquired Beaupre distillery
		Formed two new subsidiaries: The House of Seagram Ltd., to fun as a management company in charge of the operations of all Cana subsidiaries; Seagrams Overseas Corporation to deal with the companys foreign business
1956	England	Formed predecessor to Seagram United Kingdom Limited (distrib company)
1958	France	Acquired Chemineaud Freres (Cognac & brandy)
1959	Venezuela	Formed Licorerias Unidas, S.A. (LUSA) (distillery) and C.A.Distribuidora Chumaceiro (CADC) (distribution company), b joint ventures

1960	U.S.A.	Acquired Leroux Liqueur Company
	Italy	Formed predecessor to Seagram Italia S.p.A
1963	Israel	Formed International Distillers of Israel Limited
	Argentina	Acquired Destileria San Ignacio S.A.I.C (distilled spirits) and Bod y Vinedos Crillon S.A.I.C (wine)
	England	Acquired Sir Robert Burnett Gin Company
	U.S.A.	Acquired Texas Pacific Coal and Oil Company and merged it with Frankfort Oil Company to form Texas Pacific Oil Company Inc.
1964	U.S.A.	Sold Pharma-Craft Division (assets of Frankfort Distillers) to Wall & Tiernan, Inc.
1965	Mexico	Formed Seagram de Mexico, S.A. de C.V
	New Zealand	Formed Seagram (New Zealand) Limited
	Brazil	Formed Brazilian subsidiaries
1966	France	Acquired Augier Freres (cognac)
	Spain	Formed Spanish subsidiary
1967	Argentina	Acquired Hudson, Ciovini y Cia S.A.C.I (distribution company)
	Belgium	Formed Seagrams Belgium, N.V. (distribution company)
1968	Germany	Acquired Fritz Lehment GmbH spirituosenwerk (distilled spirits); subsequently changed name to Seagram Deutschland GmbH.
1969	Costa Rica	Acquired Seagram de Costa Rica S.A.
1970	Germany	Acquired Godefroy H.Von Mumm & Co. (sparkling wine)
	Puerto Rico	Formed Precision Plastic Products Corporation. (manufacturer of closures)

<u>Second Generation:</u>
<u>Direction: Growth</u>

Year	Country	Strategic Decision
1970	Germany	Acquired Godefroy H.Von Mumm & Co. (sparkling wine)
	Puerto Rico	Formed Precision Plastic Products Corporation (manufacturer of closures)
1971	Germany	Acquired Burgeff & Co. A.G. (sparkling wine)
	Japan	Formed Kirin-Seagram Limited, a joint venture with Kirin Brewery Co., Ltd.
1972	Austria	Acquired Seagram Spirituosen GmbH (distilled spirits) Acquired Weichsler GmbH (spirits & Liqueurs)
	Ireland	Acquired a large percentage of Bushmills Distillery Co. Ltd.
1973	Canada	Formed La Maison Secrestate Ltee (to produce wines introduced in Quebec)
	Portugal	Acquired Maciera & Ca. Lda. (brandy)

	Germany	Acquired Julius Kayser & Co., (wine making firm)
	New Zealand	Acquired 50 % interest in Montana Holdings Limited (wine)
	U.S.A. & Canada	Exclusive importer I the U.S. & Canada for wines produced by 17 Chilean wine producers
1974	Dominican Republic	Formed Industria de Licores Internacionales, S.A (ILISA), a joint venture
1975	Canada	Changed company name to The Seagram Company Limited from Distillers Corporation-Seagram Limited
	Switzerland	Acquired Hans V.Bon A.G. (marketing company); subsequently changed name to Seagram (Switzerland) A.G.
1978	Scotland	Acquired The Glenlivet Distillers Limited (Single malt Scotch Whiskey)
	Australia	Acquired wine and spirits division of Dalgety Australia Pty. Ltd.
1979	U.S.A.	Samuel II joined Seagram and was involved in several strategic decisions during Edgar's reign
1979	Netherlands	Formed Seagram Nederland B.V. (distribution company)
	U.S.A.	Acquired Gold Seal Vineyards
1980	England	Acquired Geo. G. Sanderman Sons & Co, Limited (ports, sherries and brandy)
	Portugal	Acquired Caves da Raposeira, Lda (sparkling wine)
	South Korea	Formed OB-Seagram Co.,Ltd., a joint venture with Oriental Brewery Co., Ltd
	U.S.A.	Sold Texas Pacific 's U.S. oil and gas properties for $ 2.3 billion
1981	Argentina	Acquired minority interest in Valentin Bianchi S.A. (wine)
	New Zealand	Acquired Wilson Distillers Ltd.
	Thailand	Formed Seagram (Thailand) Limited, a joint venture with Tejapaibul Co. Ltd.
	U.S.A.	Acquired 27.9 million shares of Conoco Inc. for $ 2.6 billion and tendered the shares to E.I. du Pont de Nemours and company for a 20.2 percent interest in du Pont common shares
1982	U.S.A.	Edgar Jr. joined Seagram; he was involved in many strategic decision decisions during Edgar Sr.'s reign.
1982	Nigeria	Formed united Distillers and Vintners (Nigeria) Ltd., a joint venture
1983	U.S.A.	Acquired The Wine Spectrum (Taylor, Great Western, Taylor California Cellars, Sterling Vineyards and the Monterey Vineyard wines and sparkling wines)
1984	England	Acquired Oddbins Limited (retail outlet chain)
	Germany	Acquired Matheus Muller GmbH (sparkling wine)
	U.S.A.	Formed The Seagram Classic Wine Co.- California
1985	Australia	Acquired Continental Distillers Pty. Ltd.
1986	Cameroon	Formed La Societe Camerounaise de Fermentation, a joint

		venture
	Italy	Acquired Casa Vinicola Maschio S.p.A (sparkling wine) and Landy Freres
	Scotland	Acquired Duncan Moir
1987	Germany	Acquired Weinbrennerei Scharlachberg sturm GmbH & Co. (brandy) and J.Carstens GmbH & Co. (wine spritzers)
	Scotland	Acquired assets of George Morton Ltd. (wholesaler), including the brand OVD Rum
	U.S.A.	Sold Paul Masson, Taylor California Cellars, Taylor Great Western and Gold Seal Vineyards

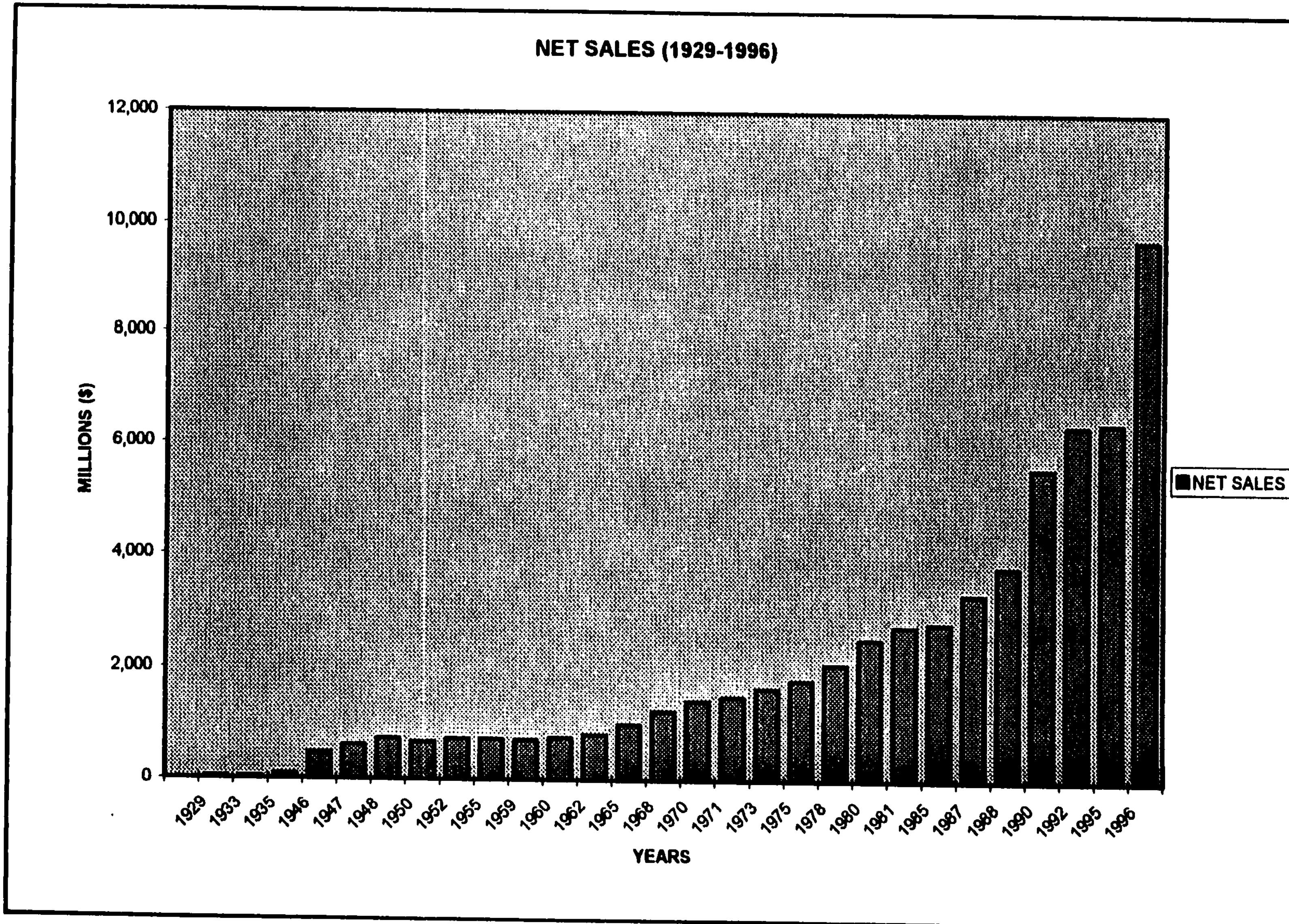
Third Generation:
Direction: Growth

Year	Country	Strategic Decision
1988	China	Formed Shanghai Seagram Limited, a joint venture with China Distillery Shanghai
	France	Acquired Martell S.A. (Cognac and Armagnac)
	Scotland	Acquired D. Rintoul & Company Ltd. (spirits and wine), including the brand OVD Rum
	U.S.A.	Acquired Tropicana Products, Inc. (fruit juices and juice beverages)
1989	Brazil	Acquired Almaden Vineyards Ltda. (wine)
	Costa Rica	Acquired Alimentos Preparados S.A. (alpre) (wholesaler)
	U.S.A.	Acquired Grey's Licores C.A. (wholesaler)
1990	Greece	Acquired 70 % interest in APKA S.A. (distribution company)
	Japan	Formed Kirin-Tropicana, Inc., a joint venture with Kirin Brewery Co., Ltd.
	Taiwan	Formed Seagram C.I. (Taiwan) Co., Ltd. (distribution company)
1991	Canada	Formed Tropicana Canada
	England	Formed Tropicana United Kingdom Limited
	France	Formed Tropicana Europe S.A
		Acquired Maxime Delrue S.A. (distributor of fruit juices and speciality foods)
	Germany	Divested Weinbrennerei Scharlachberg Sturm GmbH & Co.

		and Carstens GmbH & Co.
	U.S.A.	Divested seven distilled spirits brands (Lord Calvert Canadian Whisky, Calvert extra and Kessler Blended American Whiskeys, Calvert Gin, Wolfschmidt Vodka, Ronrico Rum, and the Leroux line of cordinals
1992	Colombia	Formed LUSA de Colombia S.A.
	Czech Republic	Formed Seagram spol. s.r. (distribution company)
	Germany	Formed Seagram Holding-und Handelsgesellschaft GmbH
	Hungary	Formed Seagram Hungary Kft. (distribution Co.)
	Poland	Formed Seagram Polska Sp.zo (distribution Co.)
	Ukraine	Formed Seagram Ukraine Ltd. (distribution Co.)
	Venezuela	Acquired balance of shares in Licoreias Unidas, S.A. and C.A, Distribuidora Chumaceiro from joint venture partners
	U.S.A.	Sold Soho Beverages- asoda manufacturer for $ 2 million
1993	Cameroon	Divested La Societe Camerounaise de Fermantation
	Chile	Formed Comercial Forestier Chile Limitada.
		Acquired plant and trademark assets of Seagers de Chile (spirits producer)
	France	Divested Janneau S.A., a subsidiary of Martell
	Guam	Established representative office of Joseph E. Seagram & Sons Inc.
	Philippines	Established regional head-quarters of Joseph E. Seagram & Sons Inc.
	Russia	Established representative office of Joseph E. Seagram & Sons Inc.
	U.S.A.	Formed Tropicana Industrial Glass Company, a joint venture with American National Can Company (manufacture of glass containers
		Acquired assets of Barton Brands of California
		Acquired global fruit juice and juice beverage business from Dole Food Company, Inc. (other)
		Du Pont redeemed 156 million of its shares owned by Seagram, which generated after-tax proceeds of $ 7.7 billion to Seagram
		Acquired 80 % of the Parent company of MCA Inc. for 5.7 billion from Matsushita Electric Industrial Co., Ltd.
	Colombia	Acquired Atlas Commercial S.A of Columbia, Markets and distributes spirits and wines.
1994	Germany	Tropicana Products acquires Hitchcock (the leading brand of premium fruit juice)

	U.S.A.	Acquired worldwide marketing rights to Absolut Vodka Reached 14.99 % investment in Time Warner, Inc.
	Philippines	Formed Seagram Philippines Inc., to market and distribute Seagram's imported brands in the Philippines
1995	Columbia	Acquired Atlas Commerial S.A. of Columbia; markets and distributes distilled spirits and wines
	U.S.A.	Acquired Dole Food Co., global juice business, for $ 240,000,000. The company has reorganized its juice operations into two distinct business units- A North American Unit and International Unit. Sold 95 % of its holdings in E.I. Du Pont de Nemours & Co. for & $ 8.8 billion . Purchased 80 % interest in MCA Inc. from Matsushita Electric Industrial Company for $ 5.7 billion, a major U.S. entertainment corporation.

Figure 5.5



NET SALES (1929-1996)
12,000
10,000
8,000
6,000
4,000
2,000
0
MILLIONS ($)
1929
1933
1935
1946
1947
1948
1950
1952
1955
1959
1960
1962
1965
1968
1970
1971
1973
1975
1978
1980
1981
1985
1987
1988
1990
1992
1995
1996
YEARS
NET SALES

Figure 5.6

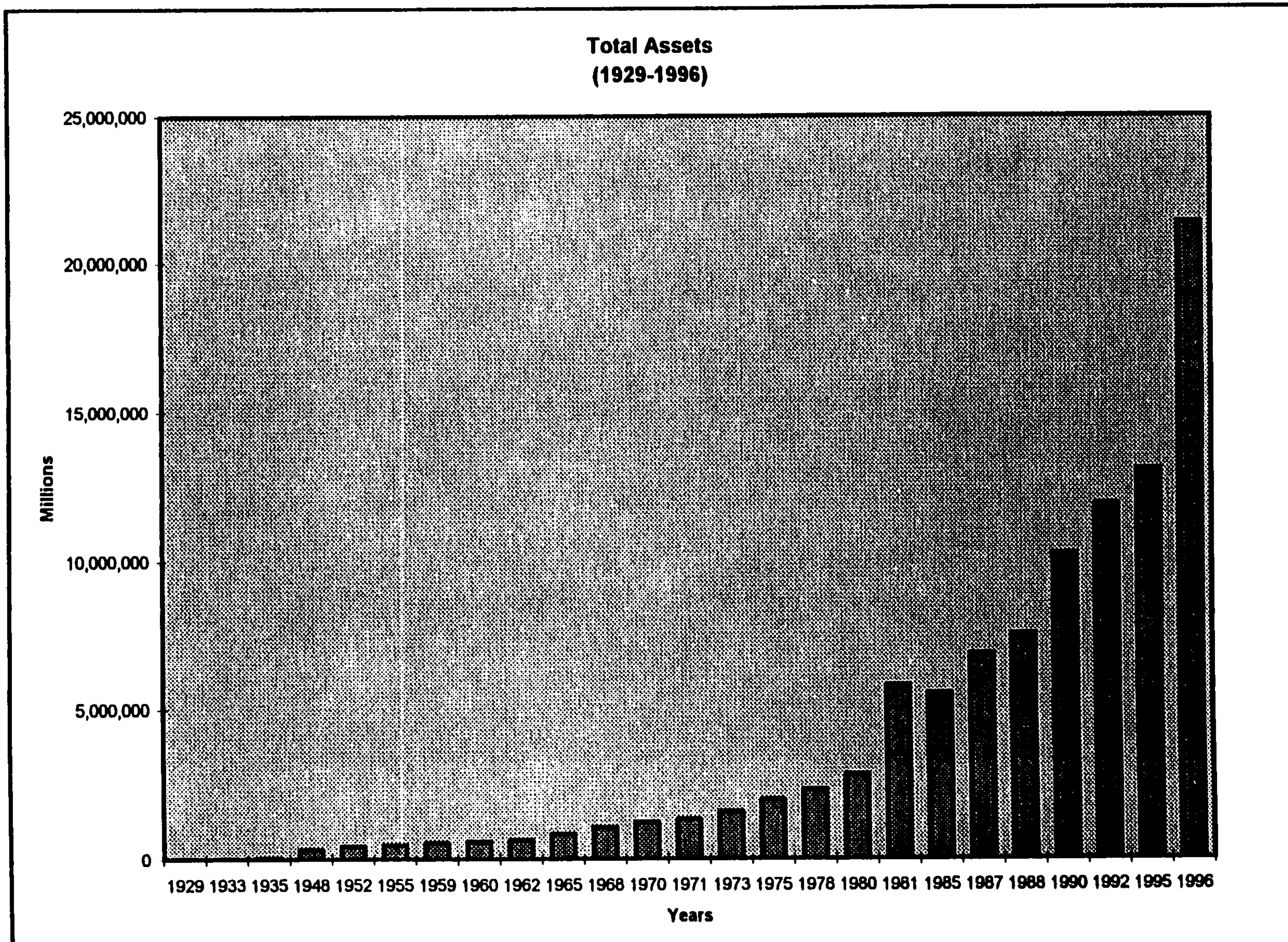

Total Assets
(1929-1996)
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Millions
1929 1933 1935 1948 1952 1955 1959 1960 1962 1965 1968 1970 1971 1973 1975 1978 1980 1981 1985 1987 1988 1990 1992 1995 1996
Years

Figure 5.7

Diversification

(Risk-taking & Tolerance for Ambiguity)

First Generation: **Samuel Bronfman**

Year	Diversified Activity	Name of Company
1953	Hotel business	Clarisson Hotel
1953	Oil Company	Frankfort Oil Company
1963	Coal and Oil Company	Texas Pacific Coal and Oil Company—merged with Frankfort Oil Company to form Texas Pacific Oil Co., Inc.

Second Generation: **Edgar Miles Bronfman**

Year	Diversified Activity	Name of Company
1967	Entertainment	MGM
1980	Coal & Oil Company	Sold Texas Pacific Coal & Oil company
1981	Chemical Company	E.I. Du Pont de Nemours and Company

Third Generation: Edgar Miles Bronfman Jr.

Year	Diversified Activity	Name of Company
1988	Juice	Tropicana
1992	Juice	Dole Fruit juices
1993	Entertainment	Time Warner Inc.
1995	Chemicals	Sold 95 % of Seagram's shares in E.I. Du Pont de Nemours and Company.
1995	Entertainment	MCA Inc.

Figure 5.8

International Markets

(Samuel Bronfman):

Western Europe
Caribbean
South America

(Edgar Miles Bronfman Sr.):

Australia
Western Europe
Pacific Rim
Central America
South America
Africa
Caribbean

(Edgar Miles Bronfman Jr.):

Western Europe
Eastern Europe
South East Asia
Pacific Rim
Caribbean
South America
Africa
Central America

Figure 5.9

Role Model

Critical Incidents	Source	Validation
Sam to Edgar Sr.		
Trying to fulfill father's expectations 1) **Edgar Sr.** : " *My father always taught us to think in terms of generations . He always expected each generation to surpass the past generation* ".	• Company records	• Business Week , April 27th '81
2) **Bronfman family associate** was quoted in Business Week saying : " *The specter of his father haunts . He 's trying to prove that he 's as good as his father so that people can say that Seagram is truly his company* ".	• Business Week April 27th '81	
3) In 1981, **Edgar Sr.** was quoted saying: " *The biggest challenge is yet to come : acquiring companies and integrating them into Seagram so that I can build on what my father accomplished* ".	• Business Week April 27th 1981	
4) **Edgar Sr.** : a. " *He was a giant among men.* " " *His insistence on the quality of every product made and sold , his dedication to the 'silken gown' in every facet of his life , his belief in corporate responsibility and his breadth of vision which gave rise in one man 's life time to a multinational empire spanning the entire free world - these were measures of a man* "	• Company records	• Annual Report 1971
Edgar Sr. to Edgar Jr.		
1) Edgar Jr. Accepting his father's invitation to join Seagram's. **Edgar Jr**. quoted saying " *There is an incredible pride in this company and in the family , in who we are*	• Auletta, 1994	• LoDico, 1994 • Leinster, 1986

and what our grandfather created , and what our father and uncle enlarged ".		
2) **Edgar Jr.:** " *I want to prove to Edgar that I could do it. And I wanted to prove it to myself ".*	• Business Week Dec. '84	
3) Edgar Jr. has a framed quotation written by his grandfather, Sam. This quotation is a source of motivation for Edgar. It says "*shirtsleeves to shirtsleeves in three generations, I 'm worried about the third generation. Empires have come and gone.* "	• Documentary, 1995	• Company records

Figure 5.10

Grooming The Offspring

Critical Incidents	Source	Validation
First Generation to Second Generation:		
1) Sam had no doubt that his sons would take over the business, and without saying so in so many words he communicated this to them from the time they were very young.	• Marrus, 1991 p.396	• Newman, 1976, p.242-243
2) **Sam** : " When he started at Seagram he started working at a small desk in my father's office for two years, learning the business from the top down. Was at my side daily, observing , listening, learning , asking questions and gaining invaluable experience ".	• Bronfman, 1970	• Newman, 1976 p.180 • Marrus, p.456
3) After two years full time with the company , Edgar was responsible for the operation of all company plants in Canada . When he arrived in the U.S. to head the American operation wing , he found the company divided into three empires - production , marketing and finance . He managed to reorganize production and finance. With great opposition from the veterans and friends of his father , he took control and led by taking decisions in marketing finally all in 1962 . By 1962 , Edgar was making decisions involving sales and marketing . He proudly states " I became president de jure in 1957 and de facto in 1962 ".	• Bronfman, 1970 • Company records	• Newman, 1976 p.182-184 • Siekman , Dec.'66 • Church , May 6th '94 p.43
4) At 26 , he was in New York office as chairman of the administrative committee of Joseph E. Seagram & Sons Inc. and in less than two years he became president of that company.	• Company records	• Newman p.180-184 • Marrus p.456

5) **Saidye** : " *Why do you give this boy so much responsibility?* " **Sam :** " Then he can make mistakes that I can correct when I'm alive " .	• Bronfman, 1982	• Marrus p.465 • Bronfman, 1970
6) **Sam :** " When my sons Edgar and Charles were in their teens , they began to spend their weekend and college summers in our Lasalle plant .	• Bronfman, 1970	• Bronfman, 1982

<u>**Second Generation to Third Generation:**</u>

1) Edgar Bronfman Jr. Joined Seagram in 1982 as special assistant to Philip Beekman, Seagram's president and co.-officer . The role offered Edgar Jr. A fast overview of all Seagram's operations , including planning , marketing , packaging, and an internal look at the various committees.	• Company records	• Biography, 1994 • Business Week Dec 8th '84 • Leinster, 1986
2) After three months with Seagram , he left to head the European operations for two years.	• Company records • Annual Reports	• Leinster, 1986 • Rothman, 1989
3) At 1984 , he returned to the U.S. to run the spirits segment . Director of Spirits operator.	• Company records	• Leinster, 1986 • Rothman, 1989
4) President and Chief Operating Officer, 1988.	• Company records • Annual report 1989	• Gazette June 2nd '94 • Fife, '94 •
5) Chief Executive Officer, 1994	• Company, 1996 • Annual Report, 1994	• Fife '94 • Hass, Feb. '94 • Auletta '94 • Gazette June 2nd '94 • The Wall Street Journal Dec 17th'93 • Bates, 1995

Level of Strategic Decision Making Seem to be Reduced to Allow Offspring to Establish Control

Critical Incidents	Source	Validation
First Generation to Second Generation:		
1) By 1962 , Sam was backing away from supporting Victor Fischel , Chief Operating Officer of New York at that time and started supporting Edgar's decisions, expanding the boundaries of his son's autonomy .	• Newman,1976 p.183	• Siekman, Dec. '66 • Bronfman, 1970
2) As the business grew larger and more complicated , Sam's paternalistic ad-hockery was being replaced by Edgar's faith in modern management methods.	• Newman p.184	• Siekman Dec.'66 • Company records
3) By 1962 , Sam eventually placed himself on his son's payroll as a $100,000 a year consultant , but his interests in Seagram's remained undiminished.	• Company records	• Newman, 1976 p.183 • Marrus, 1991, p.458 • Business Week Oct.20th '62
4) When Edgar moved to New York , a feud for control and authority commenced between him and Victor Fischel , the man in charge after Sam . The feud lasted seven years of office fighting and it was Edgar's ouster of Fischel although against Sam's wishes . Sam did not interfere with his son's decisions and that really marked the transfer of power between the two Bronfman generations.	• Newman p.182-183	• Marrus, 1991, p.475
Second Generation to Third Generation:		
1) When Edgar Bronfman Jr. Joined Seagram's in early 1982 , Edgar Sr. Was determined to give his son room to grow . Asked his son to return to the U.S. to run	• Auletta, 1994 p.61	• Biography, 1970

the spirits segment . (One of the most important segments of Seagram at that time.)		
2) In 1984 , Edgar Sr. Asked his son to return to the U.S. to run the spirits segment . (One of the most important segments of Seagram at that time .)	• Leinster, 1986	• Rothman, 1989 • Auletta, p.61
3) When Edgar wanted to streamline operations , his brother and father supported him.	• Company records	•
4) **Edgar Sr**." I will tell the directors that I intend not to stand for re-election . I will say that at the annual meeting . And then I will recommend -and they will do as they please - that my son be my successor ".	• Company records	• The Gazette June 2nd '94 • Auletta p.68

Figure 5.11

Grooming the Offspring for Decision Making

Critical Incidents	Source	Validation
First Geneation to Second Generation:		
1) In 1952 , a year after he joined . The chief blender of a distillery that Edgar was working with was sick so Edgar took control . Edgar noticed that 25,000 cases were not up to standard . So he called his father , but then Sam told him to handle it himself . So he decided to shut down the bottling house and started working straight through the weekend until he discovered the slip in the blending . He got it corrected just in time . Edgar's decision to close the plant impressed Sam that he decided to grant his elder son some real authority and more with responsibility.	• Bronfman & DC-SL, 1971	• Newman, 1976 p.180-181
2) Edgar's first major decision as Seagram's U.S. president: was to remove one of the company's most important brands , Calvert, which had slipped in sales from an annual 3.3 million cases to 1.2 million . This was considered as a daring step since this brand was still selling more than a million case a year. Edgar decided to replace it with a fresh blend called Calvert Extra with a 7 million dollar advertising budget . Sales were up to two million cases. **Edgar Sr.** : " *What happened proved something to me about myself and may have proved something to my father about himself* ".	• Siekman , Dec 1966 • Company records	• Newman, 1976 p.183
3) By the early 1960's Edgar pushed the company into additional brands of rum , scotch, bottled cocktails and began to import wine on a large scale . **Time magazine** describes it as	• Business Week April 27th '81 • Annual reports • Company records	• Newman, 1976 p.184 • Siekman, p.202 1966

" the most ambitious marketing program ever undertaken by any distiller".

4) He started to expand the firms interests in Europe and South America . By 1965 , Seagram was operating in 119 countries and broke the million mark .	• Company records • Annual reports	• Biography, 1970

Second Generation to First Generation:

1) 1982-1984: In the two years in London, Edger Jr. oversaw the acquisition of two UK wine and spirits retail chains and also oversaw a German winery . As a result , the sales increased by 20% and profits increased by 200 % . Edgar Sr. Admits being quite chuffed- pleased - by his sons performance.	• Leinster, March 17th '86 • Company records	• Business Week Dec 18th '89 • Auletta, 1994 p.61
2) 1984 : Edgar Jr. expanded the wine-cooler business. " A choice of advertisement , Edgar Sr. told him to go with his instincts".	• Wall Street Journal Dec17th '93	• Auletta, 1994, p.61
3) 1985 : Edgar Jr. streamlined operations , axing 100 out of 750 jobs and dropping four advertising agencies.	• Company records	• Business Week p. 92-93
4) 1987 : Edgar Jr. slashed two dozen non-premium brands from Seagram's production line.	• Company records • Annual reports	• Hass, Feb. 7th 1994
5) 1988 : Administered major acquisitions on his own : Tropicana Martell Time Warner	• Company records • Keefe , Oct 28th 1996	• Hass Feb 7th 1994 • Business Week Jan 16th '95 • Church , May 16th '94

Figure 5.12

Other Family Members Involvement in a Number of Strategic Decisions (Abe, Harry, Allan, Charles, Samuel II)

First Generation: Abe, Harry, Allan

Year	Name	Strategic Decisions
1924	Abe, Harry, Allan	Bought land in LaSalle
1925	Abe, Harry, Allan	Built their first distillery and formed Distillers Corporation Limited
1926	Allan	Accompanied Sam to London to meet with Distillers Company Limited
1926	Allan, Harry, Abe	Signed a partnership with the Distillers Company Limited
1928	Allan, Harry, Abe	Purchased Joseph E. Seagram to form DC-SL
	Allan	Appointed secretary, managerial duties
	Harry	Administered the distilleries
	Abe	Responsible for shipments and warehouses
1933	Allan	Along with Sam, they proposed a merger with Shenely's to the DCL board at Scotland
	Allan, Harry, Abe	Bought out DCL
	Allan, Harry, Abe	Acquired Relay Maryland
1934	Allan, Harry, Abe	Entered the U.S. market
1935	Allan, Harry, Abe	Acquired Robert Brown Company
1937	Harry	Completed the construction of a new distillery in Louisville, Kentucky

	Allan, Harry	Purchased Carstairs Bros. Distillery Company
1939	Allan, Harry	Converted production of all Canadian plants to high proof alcohol
1941	Allan, Harry	Acquired Wilson Distillery Co. and Hunter Distillers Incorporated
1952	Allan	Purchased " The Harrison Hot Springs Hotel"
1953	Allan	Purchased Frankfort Oil Company
1935 till 1940's	Abe	Remained with Seagram Company Limited, with little involvement in the strategic decisions
1938 till 1940's	Harry	Remained with Seagram Company Limited, with little involvement in the strategic decisions
1953-1978	Allan	Remained with Seagram Company Limited, with little involvement in the strategic decisions

Second Generation: Charles

Year	Name	Strategic Decisions
1951	Charles	Headed the United Distillers Ltd., he increased sales from 19,000 to 100,000 cases
1958	Charles	Named Head of Seagram, a subsidiary responsible for the distilleries markets in Canada, Jamaica, Israel. He was responsible for all new products introduced in Canada and Israel.
1963	Charles	Introduced Sabra in Israel. The formation of international Distillers of Israel Ltd.
1975	Charles	Co-chairman & President of House of Seagram

Third Generation: Samuel II

1979	Sam II	Joined the wine segment of the Company
1979	Sam II	Assisted in acquiring Gold Seal Vineyards
1983	Sam II	Acquired The Wine Spectrum
1984	Sam II	Head of the Wine Division
1984-Present	Sam II	Responsible for all purchases and acquisitions for the wine segment

Figure 5.13

Bronfmans Involvement In The Seagram Company Ltd.

NAME	YEARS IN COMPANY	INVOLVEMENT IN SEAGRAMS
GENERATION (1)		
Samuel Bronfman	1928-1971	• Co-founder Majority stockholder • 1928-1933 Vice-President • 1934-1971 President & Director
Allan Bronfman	1928-1975	• Co-founder • Majority stockholder • 1934-1975 Vice-President
GENERATION (2)		
Edgar Bronfman	1951-present	• Majority stockholder • 1951 joined Seagram • 1955 Director • 1956 Chairman of the administrative committee of Joseph E. Seagram & Sons Inc. • 1958 President of Joseph E. Seagram & Sons. • 1975-1994 Chairman & CEO of Seagram Company Ltd. • Presently, Chairman
Charles Bronfman	1951-present	• Majority stockholder • 1951 joined Seagram • 1954-1957 Managed a small subsidiary of The Seagram Company Ltd.

		• 1957-1975 Head of The Canadian House of Seagram • 1971 Executive Vice-President • 1975 Chairman of the Executive Committee • 1979-1986 Deputy Chairman • 1986-present Co-Chairman of The Seagram Company Ltd. • Presently Co-Chairman
<u>Generation (3)</u>		
Edgar Bronfman Jr.	1982-present	• Majority stockholder • 1982 Joined as Assistant to President of Joseph E. Seagram • 1982-1984 Director of Seagram's European Operations • 1984-1986 Director of Spirits Operations • 1989-1994 President and Chief Operating Officer • 1994-present Chief Executive Officer
Samuel Bronfman II	1979-present	• Majority stockholder • 1979 joined Seagram's California Wine Business • 1984-President of the Seagram Classic Wine Company Division

Figure 5.14

Communication

Critical Incident	Source	Validation
First Generation to Second Generation:		
1) Sam regulated his role in the firm to a consultant to his sons.	• Bronfman, 1970 • Documentary, 1995	• Business Week Oct, 20th 1912 • Marrus, 1991 • Company records
2) Sam was quoted on why he is constantly advising his son, Edgar Sr., " Make mistakes while my eyes are open " .	• Marrus, p.458	• Bronfman, 1982
3) By 1962 , Edgar started to make very important decisions and Sam backed him up.	• Bronfman, 1970	• Newman, 1976
4) **Edgar Sr.:** " The company has never become mine . But instead of his it's ours."	• Newman, 1976	• Bronfman & DC-SL, 1971
5) " Sam had no doubt that his sons would take over the business , and without saying so in so many words he communicated this to them from the time they were very young" .	• Marrus, 1991	• Newman, 1976 • Annual Report, 1971
6) Sam was back and forth between Canada and U.S. , he set Edgar in the U.S. and Charles in Canada.	• Company Records	• Marrus, p.458 • Business Week Oct.6th '19.
7) Charles and Edgar Sr. are on constant communication. They always consult each together.	• Bronfman & DC-SL, 1971	• Company records
Second Generation to Third Generation:		
1) Edgar Jr. visits his father occasionally to ask for advice on certain incidents . For instance , he gave advice on the wine-cooler advertisement in 1985.	• Auletta, p.61	• Rothman, 1989
2) Edgar Sr. acts as advisor to his Edgar.	• Documentary,	• Rothman, 1989

	1995	
3) Edgar Sr. And son , share a special relationship , and during the past few years they have become united.	• Auletta, p.61	• Documentary, 1995

Figure 5.15

Ownership Of Seagram by the Bronfman Family 1928-1996

In 1934

Total Family Shares	Family Members	Percentage
	Sam Bronfman	40 %
53 %	Harry Bronfman	20 %
	Allan Bronfman	19 %
	Abe Bronfman	14 %
	Bary Aaron	5 %

In 1987

Total Family Shares	Family Members	Percentage
	Charles Bronfman	16.60 %
38.30 %	Edgar Bronfman	16.50 %
	Rest of Family	5.20 %

In 1996

Total Family Shares	Family Members	Percentage
38.50 %	Charles Bronfman	19.30 %
		19.20 %

Figure 5.16

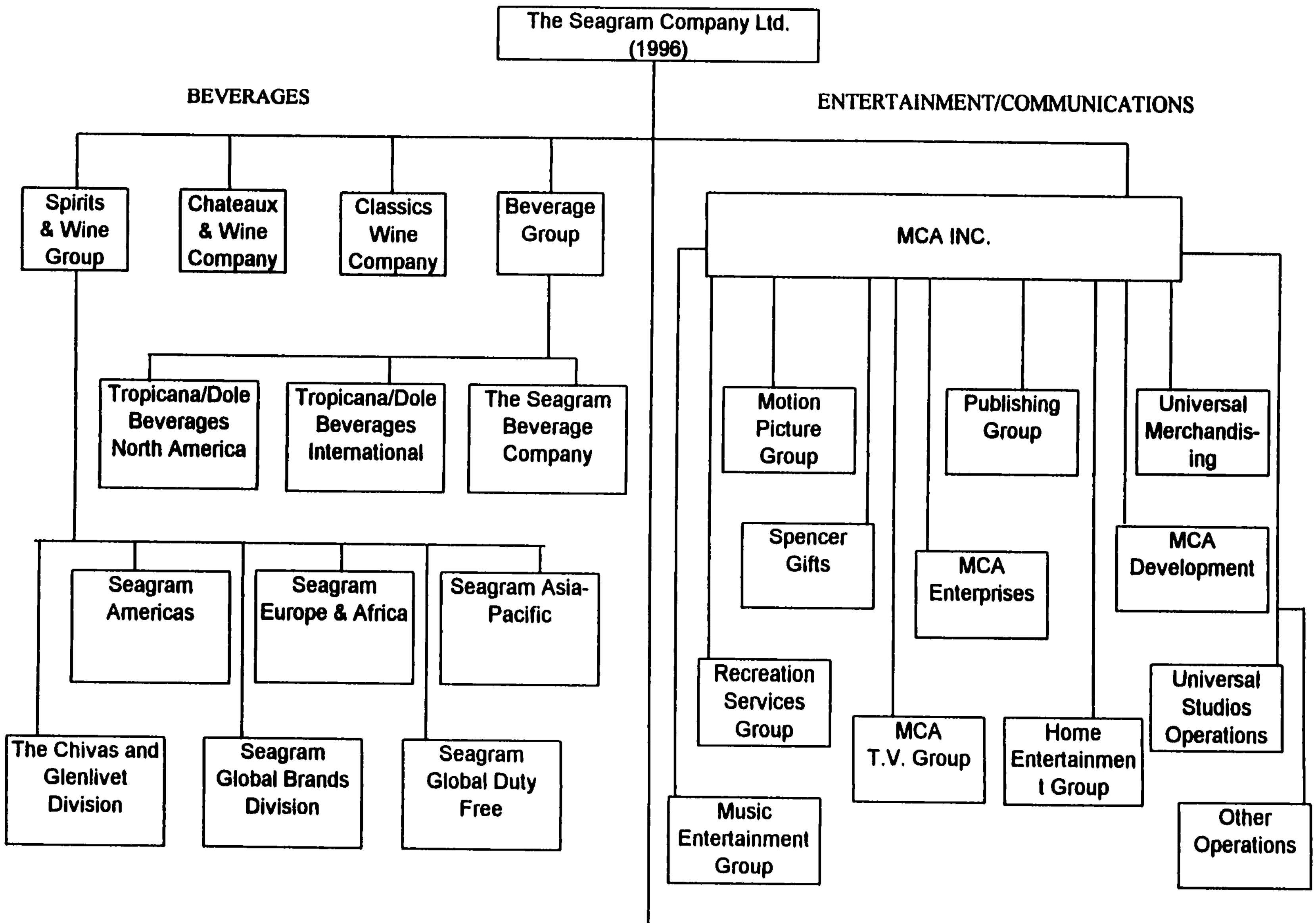
Succession

Critical Incident	Source	Validation
First Generation to Second Generation:		
1) **(E: Edgar Sr. , C: Charles)** **E** : *" Well , I'd like to go to New York"* **C** : *" Be my guest "* **E** : *" Well you know what that means . With 80 % of the business done in the U.S. I'll be number two and you'll be number three ".* **C**: *" Yeah , I understand all that , but I want to stay in Canada . Besides , I don't like the idea of being a crown prince " .* **E** : *" I do . Anyway , we're both crown princes whether we like it or not . Let's tell father I'll take over in New York while you run Seagram's and Cemp here ".* **C** : *" Agreed ".*	• Newman, 1976 • Documentary, 1995	• Siekman, 196 p.198 • Marrus, 1991 p.396-392
2) **E** : *" I felt that my father loved me more ... no ... love isn't the word - expected more of me as the number one son ".*	• Siekman, 1996	• Marrus, 1991 p.396
3) **E** : *" There's an unwritten tradition around here that only two of any generation will work at the company ".*	• Lienster, 86	• Marrus, 1991 p.396
4) According to Newman author of "The Rothschilds of the New World ". Sam was determined that only his sons would work for the company . The Cemp funds owned a majority interest in Seco and this proved it could vote all the stock , its own as well as Edgar's . Thus through ownership structure , Edgar was enforcing Allan's offspring from entering the succession race.	• Newman, 1976, p.242	• Marrus, 1991 p.400 • Newman p.242 24
5) Sam had no doubt that his sons would take over the business ,and without saying so in	• Marrus, 1991 p.396	• Newman p.242 243.

so many words he communicated this to them from the time they were very young.		
6) As far back as 1928, a year before the birth of Edgar, Sam was determined that he would keep the company under family control and yet not burden it with weight of relatives. He made this decision, soon after the Bronfman's newly formed Distillers Corp. acquired Joseph E. Seagram & Sons, Sam observed that Seagram had faltered after the command passed from the founder to his heirs. He decided among a crowd of young Bronfman cousins that only two, his sons, would work in the family business.	• Bronfman, 1970	• Business Week, April.27 '81 • Siekman, 1966 • Marrus, 1991
7) **Sam** : "*My brothers had complicated matters, by giving their families the impression that each one of them was the real brains behind our business, and none wanted to lose face by having to admit to his children that he really wasn't entitled to a lion's share. Harry and Allan seemed confident that their sons would inherit part of Seagram's on a more or less equal basis with my sons. I could never allow this, mainly because I don't believe that anybody should clobber up his business with relatives, we have enough of that in government*".	• Marrus, 1991 p.397	• Bronfman, 197 • Documentary, 1995
8) Sam commenting on not allowing his nephews Edward & Peter to join : "*I don't think it's good in a family, one leader and the rest sheep getting dividends*".	• Marrus, 1991 p.399	• Documentary, 1995
<u>Second Generation to Third Generation:</u>	• Auletta, 1994	• Rothman, 1989
1) Edgar Sr. : "*It was almost important to me, I'm not quite sure why, that one of my children would take over this company after me*".		
2) Sam Bronfman II is an executive in the	• Leinster, March	• LoDico, 1994

wine division of Seagram , but his father did not believe that he was natural heir to the company . When Edgar Sr. Looked at Edgar Jr. , he saw more of himself than he saw in Sam , he says ; he saw a quick instinctive decisive mind . He thought his sons could make the kinds of business decisions he had made .	17th '86	
3) **Edgar Sr.** invitng Edgar Jr. to Join Seagram: *" Will you join the company with a view to eventually running it ? "*	• Rothman, 1989 p.92	• LoDico, 94 • Auletta , p.61 • Leinster, 1986 p.28
4) **Edgar Jr**. Put forth three conditions that had to be met . One of the conditions concerned his brother. *" I have an older brother who 's already in the company whom I love very much , and if it 's not O.K. with him I 'm not joining "* . In 1994, Edgar Sr. Announced that Edgar Jr. Would eventually succeed him.	• LoDico, 1994	• Auletta, 1994 p.60-61
5) **Edgar Sr.** Recalls : *" It was hard to do what I had to do to Sam , who expected to get it because of primogeniture "*. **Sam II's reaction:** *" It was hard for me at that time, because it was the oldest son. I had to examine deep down what was most important in life . " family " he recalls " after a while it became clear in a variety of ways that Edgar was better suited for it. That 's something I agree with from both a life- style and an ability standpoint "* .	• LoDico, 1994	• Auletta, 1994
7) Samuel to Edgar Jr. (grandson) : *" You are the one "* .	• Documentary, 1995	

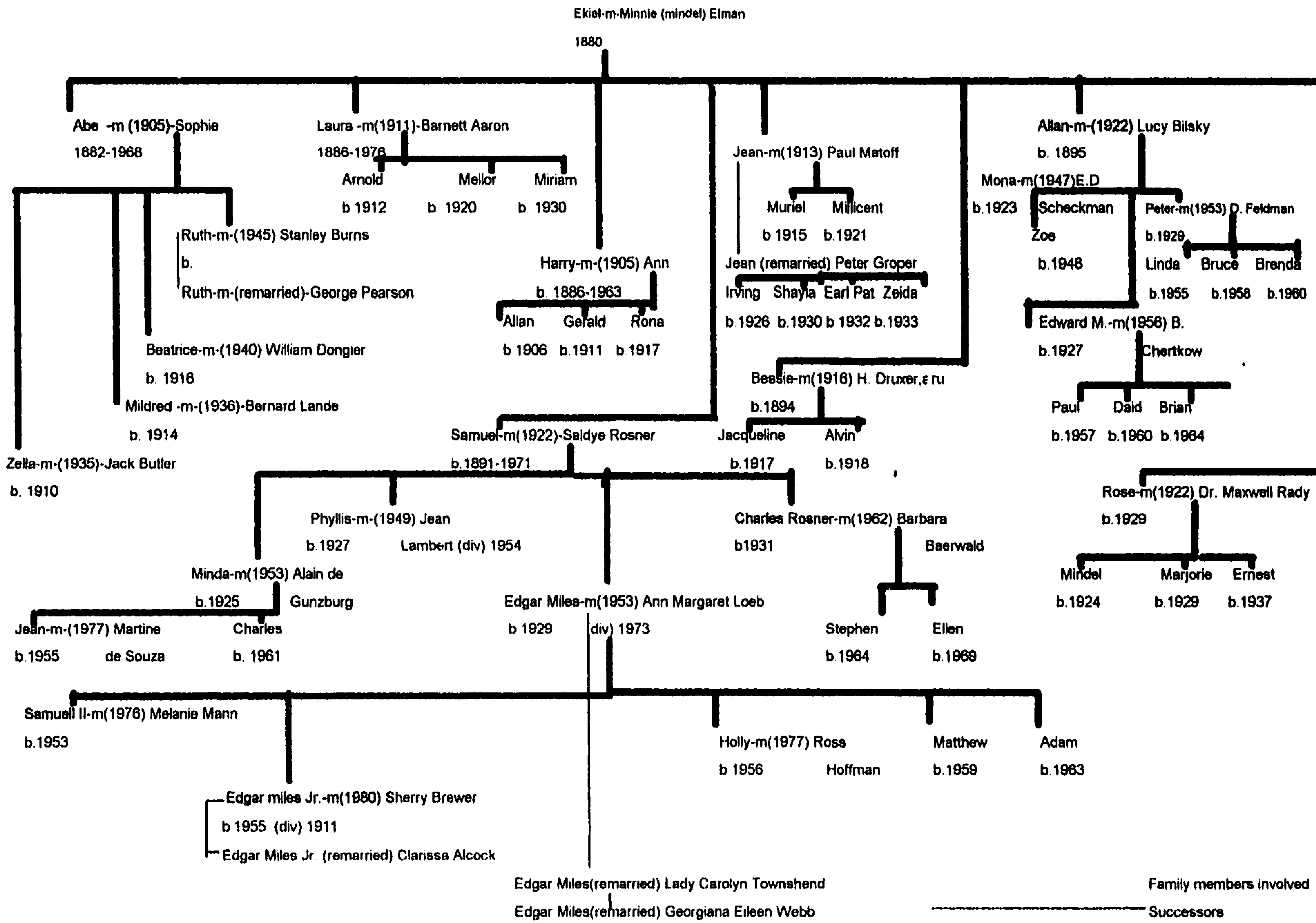
Appendix 1

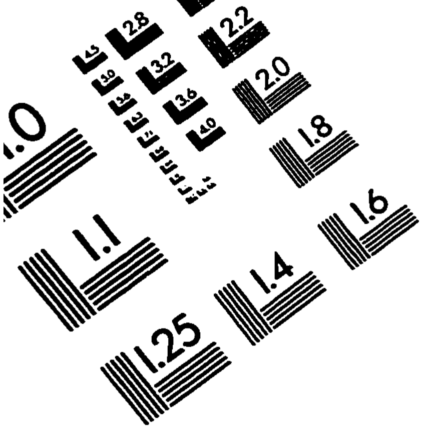


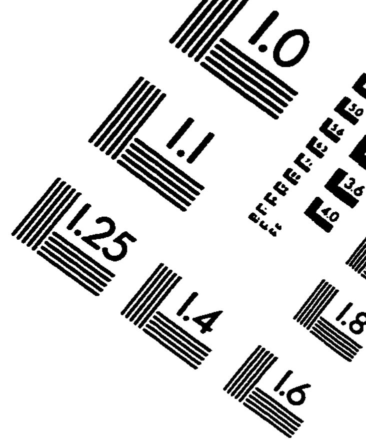
The Seagram Company Ltd. (1996)
BEVERAGES
ENTERTAINMENT/COMMUNICATIONS
Spirits & Wine Group
Chateaux & Wine Company
Classics Wine Company
Beverage Group
Tropicana/Dole Beverages North America
Tropicana/Dole Beverages International
The Seagram Beverage Company
Seagram Americas
Seagram Europe & Africa
Seagram Asia-Pacific
The Chivas and Glenlivet Division
Seagram Global Brands Division
Seagram Global Duty Free
MCA INC.
Motion Picture Group
Publishing Group
Universal Merchandis-ing
Spencer Gifts
MCA Enterprises
MCA Development
Recreation Services Group
MCA T.V. Group
Home Entertainmen t Group
Universal Studios Operations
Music Entertainment Group
Other Operations

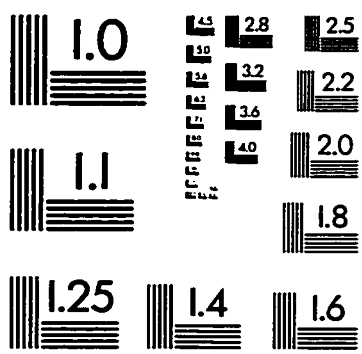
Appendix 2

The Bronfman Dynasty



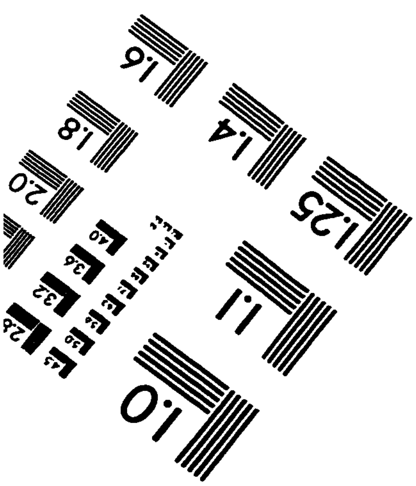


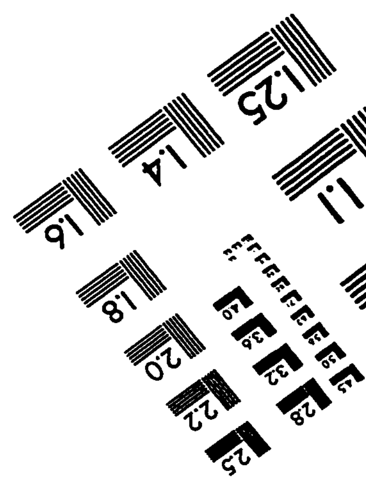




150mm

6"





APPLIED IMAGE . Inc
1653 East Main Street
Rochester, NY 14609 USA
Phone: 716/482-0300
Fax: 716/288-5989